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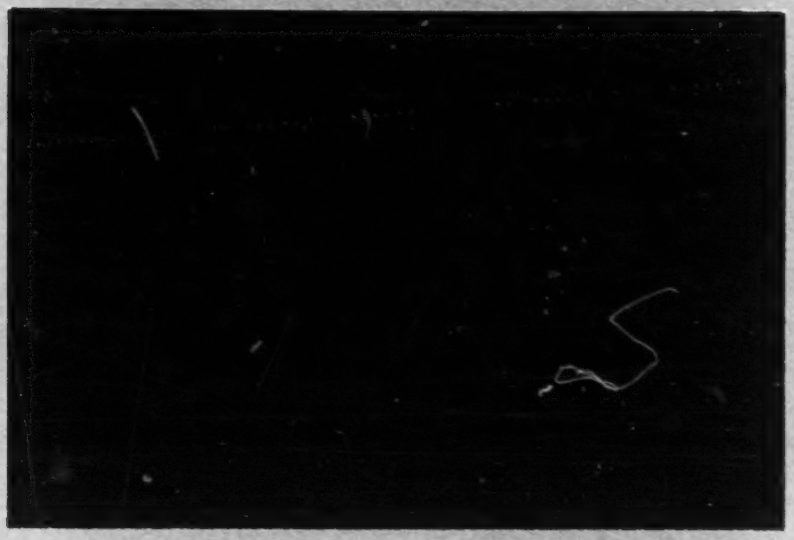
SURVEYS OF CONSUMER ATTITUDES



MONITORING ECONOMIC CHANGE PROGRAM

SURVEY RESEARCH CENTER
UNIVERSITY OF MICHIGAN

Institute for Social Research

THE RV CONSUMER:

CURRENT TRENDS AND FUTURE PROSPECTS

by

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The analysis is based on a sample of 2,491 vehicle owning households from the September 1984 through December 1984 nationally representative monthly Surveys of Consumer Attitudes, conducted by the Survey Research Center at The University of Michigan. John Mulcahy and Kailasam Duraiswamy provided valuable assistance. This survey was commissioned by the Recreational Vehicle Industry Association, Marketing Analysis Committee, under the direction of Al Yoder and Mac Bryan.

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OWNERSHIP TRENDS

A recreational vehicle is owned by one household out of every ten vehicle owning families in the continental US. In the aggregate, this figure represents seven million RV households as of the end of 1984. From the first measure of RV ownership taken in 1980 to the 1984 survey, the proportion of households that owned RVs rose from 8.3% to 9.8%. The increase in the ownership rate per household, along with an increase in the number of households since 1980, added approximately one million households to the RV market (Table 1).

Although the average annual increase in ownerships of RVs has been modest, this net increase was accomplished during a prolonged period of economic adversity: a four year period which began with steep gasoline price increases, included two recessions, and has been marked by persistently high interest rates.

Moreover, since the oil embargo of the early 1970s, there were questions raised about the long term vitality of the RV industry. At the most general level, these issues involved both the cost and availability of gasoline as well as whether consumers were moving toward lifestyles that did not include RVs. Many underestimated the broadly based and strongly held preference for this type of recreation. As a consequence, the modest increase in overall ownership rates has been accompanied by a widespread increase in the awareness of the important role of the RV industry in meeting the recreational preferences of consumers.

An increase in the number of owners of each general type of recreational vehicle was found in 1984 compared with four years earlier. The only exception was for ownership of slide-in truck campers, which fell only slightly from 1.8% to 1.5% (Table 1). The growth in ownership of van campers was somewhat above the growth in motor home ownership—van camper ownership rose from 1.4% to 1.9% of all households, while motor home ownership rose from 1.2% to 1.4%. Travel trailers were not only the most common type of RV owned in both 1980 and 1984, but also had the highest growth—from 3.0% to

3.7%. The decline in ownership of slide-in truck campers, even though households are now more likely to own pick-ups, reflects in part the declining size of pick-ups owned by households.

The overall growth in RV ownership during the past four years was greatest in the Western region of the country, which recorded the highest ownership rate in both surveys (Table 2). Interestingly, from 1980 to 1984 the Northeast posted nearly as large an increase as the West, even though only half as many residents of the Northeast owned an RV. A decline in the ownership rate was recorded among residents of the Southern region, the only region in which overall declines were recorded. The sharp increase in ownership among Northeasterners coupled with the small decline among Southerners resulted in higher overall ownership rates in the Northeast than in the South.

In the Western region the growth in ownership was concentrated in fifth-wheel and travel trailers, while residents of the Northeast posted nearly equal increases across the various types of RVs.

Ownership of recreational vehicles grew most among those who were between ages 35 and 54, but the growth was also positive among those over 55. It has been among those under age 35 that ownership rates have declined over the past four years. The increase in ownership among the middle aged was concentrated in motor homes and camper vans, while among those over 55 the growth was largest for travel trailers. Although above median income households more frequently own RVs, growth in RV ownership from 1980 to 1984 did not differ much by income group. Indeed, because of the preference of older consumers for travel trailers and the lower income of retirees, the growth of travel trailers was greatest among families with below median incomes.

POTENTIAL MARKET GROWTH

We can usefully divide the total potential demand into two parts: repeat buyers and new market entrants. Repeat buyers have been and will continue to be the mainstay of the market. And given that the baby boom cohort has just entered the prime ownership

age range, their repeat business represents the largest long term potential. New market entrants are of course just as important, especially since first time buyers often become repeat buyers. Moreover, recent increases in the availability of RV rentals have increased consumer interest, because renting allows personal experience with the RV lifestyle without first making a large financial commitment.

New Entrants. An active interest in the first-time purchase of an RV was determined by whether families intended to make that purchase during the year ahead. In addition to an ownership interest, families were questioned about whether they wanted to rent a recreational vehicle for their own use during the year ahead. When the number of households that currently own an RV is combined with the number that expressed interest in making a first time purchase or renting an RV, the total potential RV market accounts for 28% of all households (Table 3). The potential RV market includes nearly one-third of all those under age 55, and nearly one-fifth of those 55 or older. Similarly, the potential market accounts for approximately one-third of all families with incomes over $20,000, and one-fifth of those families with less than $20,000 in annual income. Residents of the Western region were most likely to be part of the potential RV market—37%, compared with 25 to 28% in the other regions.

First time purchases of RVs were intended by 4% of all families, with only small variation across age, income and regions. Consumers whose involvement in the RV market is limited to rentals amounted to 14% of all families. Rental intentions were much more frequent among younger and high income consumers.

Families that expressed an interest in renting an RV were asked their opinions toward two new rental arrangements: their preference for one-way versus roundtrip rentals, and preferences for fixed site rentals (Table 4). Only a small number of consumers preferred either one-way or fixed site rentals—just 12% in both cases. Only among residents of the Northeast did these new types of rental arrangements find much appeal—about one fourth of Northeasterners expressed interest. Interestingly, both new

types of rental arrangements found somewhat greater appeal among families with incomes under $20,000, apparently because those families viewed them as cost saving alternatives.

Repeat buyers. Among all current RV owners, approximately one third were repeat buyers (Table 5). The proportion of repeat buyers was highest among fifth-wheel and travel trailer owners—45% of these owners were repeat buyers. Current owners of fold-down camping and slide-in truck campers were the least likely to have previously owned an RV—only 17% were repeat buyers. In between, 30% of motor home and camper van owners were repeat buyers.

The importance of repeat buyers will be even greater in the future. Among current owners, the proportion that reported that they would buy another replacement RV in the future was 70% in the 1984 survey, up from 65% in 1980 (Table 6). In both years, a replacement RV of the same general type was most often preferred by current motor home and camper van owners. The opposite was true among fold-down camping trailer and slide-in truck camper owners: these owners were more likely to replace their current RV with some other type of RV. Only 18% of all owners of fold-down and slide-in campers intended to get another RV of the same general type. Owners of travel trailers fell between these two extremes: two-thirds intended to purchase another travel trailer, and the remaining third intended to replace their current travel trailer with a motor home or camper van. This type of pattern in replacement intentions was evidenced in both the 1980 and 1984 surveys.

A composite of both past and expected future purchase intentions helps to isolate consumers with long term attachment to the RV market from those whose current ownership may only be a passing fancy. Among all current RV owners, 26% reported both that they had owned an RV prior to their current vehicle and that they intended to purchase another replacement vehicle in the future. I have labeled this group the "established core market" (Table 7). First time buyers that also intended to make a replacement purchase in the future accounted for 44% of all current owners. This second

group I have labeled the "new core market." The proportion of current RV owners that had not previously owned an RV and did not intend to purchase another vehicle in the future was 24%. This group I have labeled "one-time buyers." Very few consumers that have already owned two or more RVs did not expect to purchase a replacement RV in the future—just 6% of all current RV owners. I have labeled this group the "core market dropouts."

The proportion of families in the established core market increased with age, from just 8% among those under age 35 to 31% among those over 55. Families in the new core market were most frequent among those under age 35. Both of these results reflect the process of sustained attachment to the RV market as consumers age. Interestingly, the incidence of one-time buyers did not depend on the age at which the first purchase was made. The one-time buyer was more common in the Southern region, and replacement intentions were highest among residents of the Western region (Table 8).

SELECTION OF RV

When asked to explain why they chose the particular type of RV they currently own, families in the 1984 survey had distinctive reasons for choosing each of the major types of RVs. Costs of ownership and operations were the most frequently given reasons for favoring fold-down camping trailers and slide-in truck campers. Motor home and camper van owners were distinguished by their preference for a vehicle suitable for multiple uses, and a smaller size was acceptable given its intended multiple uses and the need for fuel economy. Fifth-wheel and travel trailer owners were more likely to report that this type of vehicle was best suited for their primary purpose of camping. Interestingly, little difference was reported in the ease of use as a reason for RV selection.

Respondents were also questioned about the features that would be important to them on their next RV purchase (Table 9). The single most common response was more interior room. This was reported by 43% of all owners that intended a replacement purchase. Owners of motor homes and camper vans were somewhat less likely to stress

interior room, while fifth-wheel and travel trailer owners were somewhat more likely to mention the need for more room. Specific types of new features that they were looking for in their next RV were reported most frequently by motor home and camper van owners. The most frequent types of features mentioned by these owners involved improvements in the driving or towing performance of the vehicle, and improvements in the kitchen facilities.

PURCHASE TIMING

Consumers were asked to specify how long it would be before they would make their replacement purchase, and which factors would most influence the timing of the purchase. Half of the replacement purchases were expected to be made within the next 3.7 years, the overall median shown in Table 10. Members of the new core market expected to make their replacement purchases somewhat sooner. Replacement buyers over age 55 were the most likely to plan a replacement purchase during the next year or two—half were expected to be made within the next 2.3 years. Residents of the West and Northeastern regions intended to make their replacement purchases sooner than average, while residents of the North Central region planned replacement purchases later than the national average.

When asked to identify which factors would most influence the timing of these purchases, nearly half of all replacement buyers referred to developments in their own personal financial situation (Table 10). One-third of all replacement buyers mentioned that the timing of the purchase would depend more on the availability of good buys on RVs. That more families mentioned income rather than price conditions reflects the economic characteristics of these large discretionary purchases.

Among buyers in the youngest age group, their future financial situation was the most important factor in determining when to buy. Among buyers in the oldest age group, in contrast, the primary factor determining timing was the perceived availability of good buys. In a similar fashion, families in the lowest income group were more likely to cite

personal financial considerations, while the highest income group emphasized the availability of good buys.

The cost and availability of financing was mentioned as the most important timing factor by just 9% of all owners that intend replacement purchases. Concern over credit conditions was somewhat higher among the new core market, the middle aged, and lower income purchasers. Importantly, residents of the Western region were more likely than others to report concern with future credit conditions.

When asked in late 1984 how the then current level of interest rates would affect their purchases, nearly half of all families replied that they would still purchase an RV if interest rates remained at that same level (Table 11). Willingness to purchase at current rates was less frequent among the older, established core market. The new core market, younger groups, and higher income groups were less troubled by the current level of interest rates. Not only were residents of the Western region more likely to view future credit conditions as important for timing their purchase, they were also more likely to report that the current level of interest rates would prevent purchases.

What interest rate did consumers think was being charged on RV loans in late 1984? — 14.9% (see Table 12). Families that have used credit on prior RV purchases or who are willing to use credit in the future report a somewhat lower rate (14.5%). The highest interest rate consumers were willing to pay on RV loans in late 1984 was 12.7%. Importantly, among willing credit buyers it was 13.7%—one percentage point higher. In contrast, families not currently willing to use credit were only willing to pay 11.1%.

SUMMARY

Just five years ago, many pundits pronounced the demise of the RV market. Consumer demand for RVs is a function of prices, income, and consumer preferences. These observers claimed that not only would rising energy prices and curtailed incomes decrease sales, but also that consumer preferences would turn away from the RV lifestyle. No evidence of this can be found. While it is true that rising energy prices and the

associated down-sizing of vehicles continue to present challenges to the industry, consumers have shown their willingness to adapt to these new constraints. Indeed, the proportion of American families that currently own an RV has grown in recent years, rising to nearly one-in-ten families in 1984. Moreover, the potential for future growth is substantial, with more than one-fourth of all American families having some interest in the use of an RV.

Although the overall outlook for the RV industry during the decade ahead is bright, the pace of sales will continue to be dominated by cyclical events in the aggregate economy. Unlike prior recession cycles, which were characterized by rising inflation over an extended time period, followed by rising interest rates and rising unemployment, the next recession is likely to be paced by rising interest rates followed by rising unemployment, but with relatively low inflation rates. How will consumers react to these new economic developments?

The mass market for RVs is dominated by three major groups of consumers, each group being distinctive in their demographic composition, in the economic factors which primarily influence their purchase decisions, and in the length of prior ownership. These three groups can be labeled: a) the established core market, b) the new core market, and c) first time buyers.

Established core market. The established core market consists of consumers that have owned at least two RVs in the past. These consumers are generally older, and, if they are still working, generally have higher than average incomes. Since many of these consumers are retired or near retirement, the economic factors which primarily influence their decisions are distinctive. Their RV purchases are primarily financed out of accumulated savings, not out of future earnings via credit. For these consumers, upward trends in inflation represent the primary threat to the adequacy of their accumulated savings, and hence their future living standards. Prospects of rising unemployment or increases in interest rates do not threaten their financial situation as directly as inflation.

Indeed, rising interest rates may bolster their financial situation because of rising interest income on accumulated retirement savings. Even if the upcoming decade is marked by relatively slow economic growth, with persistent bouts of high unemployment and high interest rates, prospects for sales among consumers in the established core market will remain favorable if inflation remains relatively low and stable. These consumers will provide the largest share of demand during cyclical downturns. Rather than the timing of their purchase decisions being primarily determined by trends in employment, wages, and interest rates, these consumers place greater emphasis on product prices and product features. Because of this, they form the most competitive market segment.

New core market. The new core market represents the group of consumers that currently own RVs and expect to buy replacement vehicles in the future. These consumers are generally middle aged with above median household incomes. Their purchases are usually paid for with credit as well as out of accumulated savings, with the proportion of the total price being financed falling with age. Since their purchases usually involve the use of credit, future employment and income prospects as well as interest rates directly influence their decisions. But because of their ability to at least partially pay for the RV out of savings, demand among consumers in this group rises quickly following a recession, and it is this group of consumers that dominates the early stages of the overall rebound in market sales. Given favorable financial and credit conditions, members of the new core market are likely to stress size as the primary criteria for the selection of their next RV. The specific features and type of RV were important criteria, but there was much more satisfaction with the current type and features. As a consequence, few of these consumers place primary emphasis on these selection factors.

First time buyer. These consumers are generally younger and have household incomes near the overall median. Compared with the previous two groups, the timing of their purchase decisions is much more dependent on credit conditions, and on household income and employment prospects. Accumulated savings only play a small role in their

purchase decisions. Younger families more often suffer financial reversals during recessions, and sales to them respond only slowly to improved economic conditions, following the rebuilding of family finances. As a consequence, this group of consumers exerts the most influence on overall market trends during the late stages of economic expansion. Rather than size or features, it is price that is most important to first time buyers.

First time purchasers are often "payment" buyers. It is the size of the monthly loan payment on which they judge whether the expenditure is affordable, or within their budget. The loan repayment amount is a function of the amount financed, the length of time financed, and the annual interest rate charged. An important recent development in the automobile market has implications for the RV market. There has been a the sharp increase in the average maturity of auto loans (to over 50 months at the close of 1984), as a means to partially offset the impact on monthly payments of higher interest rates and higher vehicle prices. For the first time buyer, longer loan maturities would greatly facilitate RV sales.

It is often said that the best prospect for a future sale is a past customer. This is often true because it is current ownership that demonstrates continued active interest in the RV lifestyle. What's more, certain other purchases not usually classified as recreational vehicles also indicate an active interest. Of special importance are expenditures among the younger age groups on vans and so-called "van conversions," which are intended to serve recreational purposes at least in part. Buyers of these products have demonstrated an interest in recreational vehicles, even if their expenditures are highly restricted by their lower but rising incomes. These consumers represent prime prospects for the RV market. In addition, new rental arrangements provide an excellent opportunity to introduce consumers to the RV lifestyle. And it is their active rental interest that also makes these consumers excellent prospects for future ownership.

Because first time buyers place primary emphasis on price and credit affordability, it is important to have adequate entry level RV products available. Even if the entry level products are missing some of the standard features, the purchase of these products will build consumer identification with the RV industry, and pave the way for larger and more expensive purchases.

APPENDIX A

SURVEY METHODOLOGY

The Survey research Center conducts an ongoing monthly nationally representative survey based on telephone interviews with adult men and women living in households in the coterminous United States (48 states and the District of Columbia). For each monthly sample, an independent drawing of telephone numbers is made. The respondents chosen in this drawing are reinterviewed in six months. A rotating panel design results, and the total sample for any one survey is normally made up of 55% new respondents, and 45% of the respondents being interviewed for the second time. This design permits the regular measurement of change in the aggregate and also allows the assessment of individual change at six-month intervals.

The national telephone sample designs of the Survey Research Center employ computer routines to randomly generate telephone numbers. A list of all working area codes and central office codes is updated monthly and made available by AT&T. The selection technique involves the random generation of the last four digits in order to identify the sample numbers. The generation of the sample numbers is performed after stratification by geography and size of exchange has been introduced. The size of exchange is measured by the number of area codes-central office codes within the exchange as a proxy for the level of population density. Stratification by these criteria assures sample representation of different regions, states, and metropolitan size categories. The sample is drawn so that every number in the coterminous United States has an equal chance of being selected.

All surveys are subject to sampling error because not all members of the population are interviewed. Telephone interviewing fails to include the approximately 9-10% of the households in the United States that are not telephone subscribers, although the percentage of nonsubscribers is shrinking over time. Current studies of the bias which

results from the exclusion of nontelephone subscribers indicate that it is not severe and is within the accuracy requirements for this research project.

TABLE 1

RECREATIONAL VEHICLES OWNED BY U.S. HOUSEHOLDS

	All Recreation Vehicles	Type of Recreational Vehicle				
		Motor-homes	Van Campers	Fifth-Wheel & Travel Trailers	Fold-Down Camping Trailers	Slide-in Campers
1980						
Percent that own[a]	8.3%	1.2%	1.4%	3.0%	1.2%	1.8%
Number of households[b] who own (in millions)	5.810	0.840	0.980	2.100	0.840	1.260
Share of RVs by Type	100%	14	17	35	14	20
Average length (feet)	19.1	23.6	16.5	20.4	11.6	NA
Average #sleep spaces	4.3	5.0	2.5	4.7	5.1	3.8
1984						
Percent that own[a]	9.8%	1.4%	1.9%	3.7%	1.7%	1.5%
Number of households who own (in millions)[c]	7.072	1.010	1.371	2.670	1.227	1.082
Share of RVs by Type	100%	14	18	36	17	15
Average length (feet)	20.0	24.1	14.5	22.8	13.6	NA
Average #sleep spaces	4.4	5.6	2.3	4.7	5.6	4.4

[a]Among all vehicle-owning households.

[b]Because of multiple ownership of RV's by households, these 5.810 million households account for 6.020 million vehicles.

[c]Because of multiple ownership of RV's by households, these 7.072 million households account for 7.360 million vehicles.

TABLE 2

PROPORTION OF U.S. HOUSEHOLDS THAT
OWN RECREATIONAL VEHICLES, BY TYPE AND YEAR

	All RVs			Type of Recreational Vehicle								
				Motor Homes & Vans			Travel & 5th Wheel Trailers			Fold-down & Truck Campers		
	1980	1984	Change	1980	1984	Change	1980	1984	Change	1980	1984	Change
All Families[a]	8.3%	9.8%	+1.5	2.6%	3.3%	+0.7	3.0%	3.7%	+0.7	3.0%	3.2%	+0.2
Region												
West	13.1	16.9	+3.8	4.4	5.3	+0.9	4.9	8.3	+3.4	4.5	4.1	-0.4
North Central	8.2	9.8	+1.6	2.7	3.2	+0.5	2.8	3.2	+0.4	2.9	3.7	+0.8
Northeast	4.7	8.4	+3.7	0.6	2.0	+1.4	1.6	3.0	+1.4	2.2	3.6	+1.4
South	7.4	6.6	-0.8	2.3	3.0	+0.7	2.7	1.8	-0.9	2.5	2.0	-0.5
Income												
Under median	7.1	7.9	+0.8	1.9	1.8	-0.1	2.8	4.0	+1.2	2.5	2.2	-0.3
Over median	11.2	12.4	+1.2	4.2	5.0	+0.8	3.6	3.5	-0.1	3.9	4.4	+0.5
Age												
18-34	6.3	5.7	-0.6	2.7	2.1	-0.6	1.3	1.1	-0.2	2.6	2.4	-0.2
35-54	11.1	14.0	+2.9	2.8	4.8	+2.0	3.8	5.0	+1.2	5.1	4.9	-0.2
55 or older	7.9	9.9	+2.0	2.4	3.0	+0.6	4.1	5.3	+1.2	1.7	2.1	+0.4

[a]Among all vehicle-owning households.

The question asked was: "Do you (or anyone in your family living there) have any kind of recreation vehicles--van, motorhome, travel trailer, fifth wheel trailer, or a folding camping trailer?"

TABLE 3

POTENTIAL RV MARKET

	Current Owners	Non-Owners that Expressed Interest in: Ownership	Rental Only	Total Potential Market	Total Non Market	Total
All families	10%	4%	14%	28%	72%	100%
Age						
18-34 years	6	5	21	32	68	100%
35-54	14	4	14	32	68	100%
55 and older	10	3	6	19	81	100%
Income						
Under $20,000	7	4	9	20	80	100%
$20,000-29,999	11	4	16	31	69	100%
$30,000 and over	13	3	19	35	65	100%
Region						
West	17	4	16	37	63	100%
North Central	10	4	14	28	72	100%
Northeast	8	5	12	25	75	100%
South	7	4	14	25	75	100%

The questions asked were: "During the next 12 months, what do you think are the chances that you (or anyone in your family living there) will buy one of these recreational vehicles (such as a van, motorhome, camper, or trailer). Would you say you probably will, probably will not, or are the chances about even?"

"Would you consider renting a recreational vehicle such as a van, motorhome, trailer, or camper for any purpose in the next year or so?"

TABLE 4

RENTERS OPINIONS TOWARD NEW RV RENTAL ARRANGEMENTS

	Proportion of RV Renters that Would Prefer....	
	One-Way Rental	Fixed Site Rental
All families	12%	12%
Age		
18-34	12	11
35-54	12	14
55 or older	17	11
Income		
Under $20,000	20	16
$20,000-29,999	8	8
$30,000 or more	12	10
Region		
West	7	10
North Central	8	8
Northeast	26	24
South	12	8

The questions asked were: "Would (you/your family) be more interested in renting a recreational vehicle that you could pick up and return to a location nearby your home, or renting a recreational vehicle that you could pick up at one location and return to another location?"

"Would (you/your family) be more interested in renting a recreational vehicle that you could drive or tow from one place to another, or in renting a recreational vehicle that was already set up on a fixed site?"

TABLE 5

FIRST TIME AND REPEAT PURCHASES AMONG CURRENT RV OWNERS

Did Purchase of Current RV Replace Another RV Owned in the Past?	Current Type of RV Owned: Motorhomes & Camper Vans	Travel & 5th Wheel Trailers	Fold-down & Truck Camper	All RV Owners
Yes	30%	45%	17%	32%
Current RV replaced				
Motorhome/camper van	14	3	3	7
Travel/5th Wheel	11	29	*	15
Fold-down/truck camper	5	13	14	10
No, first time purchase	70	55	83	68
Total	100%	100%	100%	100%

The questions asked were: "When this vehicle was purchased, did it replace another recreational vehicle that you (and your family living there) owned?"

"Did your (family's) current vehicle replace a van, motorhome, travel trailer, fifth wheel trailer, folding camping trailer, or slide in camper?"

. TABLE 6

REPLACEMENT DEMAND AMONG CURRENT RV OWNERS

Replace Current RV With Another RV in the Future?	Current Type of RV Owned: Motorhomes & Camper Vans	Travel & 5th Wheel Trailers	Fold-down & Truck Camper	All RV Owners
Yes	78%	68%	62%	70%
New RV Will be:				
Motorhome/camper van	73	24	21	41
Travel/5th wheel	1	42	23	22
Fold-down/truck camper	4	2	18	7
No	22	32	38	30
Will Instead:				
Purchase car/truck	8	*	12	6
Other type spending	12	16	19	16
No replacement purchase	2	16	7	8
Total	100%	100%	100%	100%

The questions asked were: "If (you/your family) were to replace this vehicle now, would you get another recreational vehicle?"

"What type would you get--would it be a van, motorhome, travel trailer, fifth wheel trailer, folding camping trailer, or slide-in camper?"

TABLE 7

DIVISION OF CURRENT RV OWNERS
BY PAST AND FUTURE REPLACEMENT DEMAND

Future Purchase Intentions	Current RV Owner is a	
	Repeat Buyer	First-Time Buyer
Will buy again	Established core 26%	New core 44%
Will not buy	Core market dropouts 6%	One-time buyer 24%

TABLE 8

DEMOGRAPHIC PROFILES OF RV OWNERS, BY MARKET CLASSIFICATIONS

	Market Types				
	Established Core Market	New Core Market	Core Market Dropouts	One Time Buyers	Total
All RV Owners	26%	44%	6%	24%	100%
Age					
18-34	8	68	1	23	100%
35-54	28	41	4	27	100%
55 or older	31	35	9	25	100%
Income					
Under $20,000	31	38	11	20	100%
$20,000-29,999	17	50	6	27	100%
$30,000 and over	30	41	2	27	100%
Region					
West	29	50	*	21	100%
North Central	20	44	9	27	100%
Northeast	27	44	8	21	100%
South	25	33	8	34	100%

TABLE 9

FACTORS THAT INFLUENCE THE SELECTION OF THE NEXT RV

	Factor Which will Most Influence the Selection of the Next RV					
	Interior Room	Specific Features	Operating Costs	Tow requirements	Other Factors	Total
All RV Owners that Intend Replacement Purchases	45%	28%	18%	4%	5%	100%
Market Type						
Established core	37	32	17	7	7	100%
New core	49	26	19	2	4	100%
Age						
18-34 years	58	21	11	5	5	100%
35-54	39	34	20	2	5	100%
55 and older	46	23	18	7	6	100%
Income						
Under $20,000	45	24	18	2	11	100%
$20,000-29,999	52	26	8	11	3	100%
$30,000 and over	41	31	25	*	3	100%
Region						
West	46	25	16	3	10	100%
North Central	49	31	18	2	*	100%
Northeast	36	33	24	7	*	100%
South	45	27	16	4	8	100%

The question asked was: "When (your/your family) select(s) the replacement for your current vehicle, which of the following do you think will be the most important factor in the selection of your (family's) next recreational vehicle: the amount of interior room, the type of features and equipment, gas mileage, towing requirements, or what?"

TABLE 10

FACTORS THAT INFLUENCE THE TIMING OF REPLACEMENT PURCHASE

	Median # of years before replace	Factor that Will Most Influence Timing of Next RV Purchase					
		Personal Finances	Good Buys on RVs	Cost of Finance	When Need/ Want	Other Factors	Total
All RV Owners that Intend Replacement Purchase	3.7	47%	33%	9%	4%	7%	100%
Market Type							
Established core	4.3	41	39	8	*	12	100%
New core	3.4	47	30	11	6	6	100%
Age							
18-34 years	4.5	63	21	7	*	9	100%
35-54	4.6	50	29	11	5	5	100%
55 or older	2.3	25	48	9	3	15	100%
Income							
Under $20,000	4.6	51	25	14	*	10	100%
$20,000-29,999	3.1	50	34	14	*	2	100%
$30,000 and over	3.6	36	41	4	10	9	100%
Region							
West	3.0	40	31	13	6	10	100%
North Central	5.0	43	41	4	1	11	100%
Northeast	3.0	48	29	9	5	9	100%
South	4.0	55	33	8	2	2	100%

The question asked was: "When (you/your family) decide(s) to replace this vehicle, will the timing of the purchase depend more on your (family's) financial situation at that time, the availability of good buys on recreational vehicles, the cost and availability of financing, or what?"

TABLE 11

IMPACT OF CREDIT CONDITIONS
ON RV PURCHASE INTENTIONS

	Consider Buying Replacement RV on Credit Given Current Interest Rates		
	Yes	No	Total
All RV Owners that Intend Replacement Purchase	47%	53%	100%
Market Type			
Established core	37	63	100%
New core	54	46	100%
Age			
18-34 years	73	27	100%
35-54	53	47	100%
55 and older	22	78	100%
Income			
Under $20,000	44	56	100%
$20,000-29,999	45	55	100%
$30,000 and over	58	42	100%
Region			
West	37	63	100%
North Central	55	45	100%
Northeast	67	33	100%
South	44	56	100%

The question asked was: "When you replace this vehicle, would you (and your family living there) consider buying another recreational vehicle on credit given the current level of interest rates?"

TABLE 12

PERCEPTIONS OF INTEREST RATES AND WILLINGNESS
TO USE CREDIT FOR RV PURCHASES

	All Families Who Will Replace Current RV	Families Who Used Credit to Buy Current RV	Families Who Would Consider Using Credit for Next RV	Families Who Would Not Consider Using Credit
Perceptions of Current Interest Rate Charged on RV Loans	14.9%	14.5%	14.5%	15.1%
Highest Interest Rate Willing to Pay on RV Loan	12.7	13.3	13.7	11.1
Difference (current-highest)	2.2	1.2	0.8	4.0

The question asked was: "What annual rate of interest do you think is now being charged on recreational vehicle loans?"

TABLE 13

INTEREST RATES CHARGED
ON CURRENT OUTSTANDING RV LOANS

	Share of all Loans	Average Interest Rate
All Current Loans	100%	13.8%
Variable Rate Loans	17	14.1
Fixed Rate Loans	83	13.7

The questions asked were: "What is the current interest rate on the loan?"

"Does this loan have a variable interest rate--that is, one that can rise or fall over the course of the loan?"

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SURVEYS OF CONSUMER ATTITUDES

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1986 OUTLOOK FOR CONSUMER DEMAND: PROSPECTS DIMINISHED BUT STILL FAVORABLE

by

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1986 OUTLOOK FOR CONSUMER DEMAND: PROSPECTS DIMINISHED BUT STILL FAVORABLE

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The most recent Survey of Consumers indicates a declining overall trend in consumer sentiment, as shown in Chart 1. The Index of Consumer Sentiment was 92.8 in the third quarter 1985 survey, down from 98.9 one year earlier. Nonetheless, this was the tenth consecutive quarter with an Index figure in the 90s, the longest and highest sustained period of consumer optimism recorded since the 1960s.

The small overall decline recorded during the past year was widespread among all major population groups, defined by age, income, and region. The decline was not, however, shared equally by the several measures of attitudes and expectations. Consumers' views of their current financial situation and buying conditions remained at very favorable levels, while prospects for the domestic economy during the year ahead have declined to a significant extent. This relatively greater decline in future economic prospects is shown in Chart 2.

Slower Economic Growth Limits Job Prospects

During the past two years there has been a sharp decline in the proportion of consumers that expected continued improvement in the national economy, as shown in Chart 3. In the third quarter 1985 survey, 25 percent of all families expected the economy to improve, down from 33 percent one year earlier, and the all time peak of 52 percent in the second quarter of 1983. This sharp fall in favorable expectations, however, was not mirrored by a comparably sharp rise in unfavorable expectations. A worsening economy was expected by only 15 percent of all families in the third quarter 1985 survey.

Most of the shift in opinion during the past two years has been towards the expectation that the performance of the national economy would remain unchanged during the year ahead, rising to 57 percent in the third quarter of 1985, from 39 percent two years earlier.

Because slower growth but no recession is expected, consumers view the economic outlook in somewhat dulled but nonetheless favorable terms. Among all families in the third quarter survey, 55 percent expected good times financially in the economy as a whole during the year ahead, not far below the 63 percent recorded one year earlier. Although the third quarter 1985 reading is the lowest level recorded during the past two years, it remains as favorable as the late 1970s peak. A comparison of Charts 3 and 4 indicates the extent of the difference between the sharp declines in expectations for "better" economic conditions and the modest declines in expectations for "good times" in the economy as a whole. In short, consumers' views suggest that economic conditions will be somewhat worse next year, but they will still be good, on balance.

The major factor underlying the maintenance of favorable assessments of the economy has been the sustained declines in inflation. In the third quarter 1985 survey, consumers expected the annual rate of inflation to average 4.2% during the year ahead, the lowest level to be recorded in more than a decade. At their third quarter level, inflation expectations are approximately one-third of their 1980 peak. The overall trend in inflation expectations, and their correspondence to actual changes in the CPI are shown in Charts 5 and 6.

The primary concern expressed by consumers about the outlook for continued slow economic growth involves limited job prospects. This decline in job prospects is shown in Chart 7. The proportion of families that expected the national unemployment rate to decline during the year ahead fell to just 15 percent in the third quarter 1985 survey, half the proportion that expected increases. That only small changes in the unemployment rate were foreseen is supported by the majority expectation that the unemployment rate would remain largely unchanged at its current level during the year ahead (54 percent). The

correspondence of unemployment expectations and actual subsequent developments in the aggregate unemployment rate is shown in Chart 8.

Confidence in government economic policies to control inflation and unemployment remained near record high levels in the recent surveys, as shown in Chart 9. Apparently, the sustained declines in inflation have thus far offset the rising concern with unemployment in terms of policy evaluations. Nonetheless, consumers continue to view unemployment, rather than inflation, as the more serious problem facing the nation, as shown in Chart 10.

Interest rate expectations have remained unchanged since the start of 1985, at improved levels compared with mid 1984, as shown in Chart 11. Interest rate increases during the year ahead were expected by 40 percent of all families in the third quarter of 1985, down from 55 percent one year earlier. The majority now expect interest rates to remain at their current level or to decline during the year ahead (58 percent). The correspondence of these expectations with subsequent changes in the prime rate is shown in Chart 12.

Personal Finances Remain Favorable
Despite Slower Income Growth

The financial situation of American families has remained favorable in the most recent survey, although the pace of financial improvement has slowed since the start of 1985. An improved financial situation was reported by 42 percent of all families in the third quarter 1985 survey, just below the cyclical peak of 45 percent recorded one year earlier. Even after this small decline, evaluations of personal financial progress have remained more favorable during the past two years than at any other time during the prior 10 years, as shown in Chart 13.

The major factor behind the substantial improvement recorded during the past few years had been sustained declines in inflation. When asked to explain how their financial situation had improved or worsened, just 14 percent of all families in the third quarter

1985 survey mentioned that rising prices had eroded living standards, less than one-third of the peak level recorded five years earlier. This sharp and sustained decline in references to higher prices is shown in Chart 14.

Also shown in that chart are references to changes in family income, with the frequency of reported income increases generally rising, and reported income declines falling, since the start of 1983. Twice as many families reported income increases as reported declines in the third quarter 1985 survey (32 versus 15 percent), a somewhat smaller margin than recorded a year ago (36 versus 13 percent). It was this moderation in the growth of income that was responsible for the small decline in overall evaluations.

When asked about prospects for their financial situation during the year ahead, consumers continued to hold a positive outlook in the most recent survey. In the third quarter of 1985, 35 percent of all families expected their financial situation to improve, not far below the cyclical peak of 41 percent recorded at the start of 1984, as shown in Chart 15. The small decline in financial prospects can be traced to less favorable income expectations. Among all families in the third quarter 1985 survey, 56 percent expected income increases, down from 64 percent one year earlier.

A comparison of Charts 15 and 16 indicates opposite trends since 1980: While expectations for improvement in their overall financial situation have risen, nominal income expectations have declined. This seeming inconsistency is easily dispelled when the accompanying declines in inflation are taken into account, as shown in Chart 17. Because inflation expectations have declined to a greater extent than income expectations, real income expectations have risen, and have maintained favorable financial expectations. That consumers expect slow real income growth rather than declines during the year ahead is indicated by the few families that expected overall reversals in their financial situation. Just 12 percent of all families in the third quarter 1985 survey expected their financial situation to worsen during the year ahead.

Consumers Remain Willing to Use Credit Amid Rising Indebtedness

The continuation of favorable personal financial prospects, coupled with declines in interest rates, has maintained consumers' willingness to use accumulated savings and to incur new debt in order to make major purchases. Among all families in the third quarter survey, 36 percent reported their willingness to use savings, just below the 40 percent cyclical peak recorded one year earlier (see Table A). Willingness to incur new debt was reported by 29 percent of all families in the third quarter 1985 survey, the highest level during the past five years (see Table B).

Consumers incurred debt at a much faster pace during the past year, but the overall level of debt incurrence has thus far remained below the levels recorded in the late 1970s, as shown in Table C. The ratio of net increases in mortgage debt to personal disposable income was 5.2% in 1984, well below the 1978 peak of 7.5%. In contrast, the net increase in installment and other consumer credit as a proportion of disposable income was 3.7% in 1984, above the 1978 peak of 3.3%. In the first half of 1985, net increases in consumer credit continued to rise, reaching 4.5% of income in the second quarter. Given the high level of vehicle sales in the third quarter, the primary component of installment debt, this ratio can be expected to establish a new record level for the year 1985 as a whole.

Do these elevated levels of debt imply that consumers are overextended? The total outstanding amount of home mortgage, installment, and other consumer debts was 1.9 trillion dollars at year end 1984. As shown in Table E, the household sector held $1.31 in savings deposits for each dollar in mortgage and consumer debt at year end 1984. substantially above the low of $1.18 recorded in 1979. When all deposits, bonds, and equities are summed, representing a less liquid pool of financial assets, they amounted to $2.54 for each dollar of mortgage and consumer debt. When all financial assets are compared with all financial liabilities, households held $3.04 in assets for each dollar in debt. Although these ratios have only fallen slightly by year end 1984, based on the first

half of 1985, the estimated ratio of savings deposits to mortgage and consumer debt fell to $1.24, at annual rates, a level comparable to the late 1970s.

Given the lower growth rates expected in both wages and prices, consumers can no longer look toward inflationary increases in incomes to ease the burden of high repayment amounts. Rather than reacting by lowering the amount borrowed, consumers have focused more attention on lengthening the repayment period, so as to accommodate the higher amounts borrowed within their budgets.

The average transaction price for a new car, as well as the amount financed, has approximately tripled from 1972 to 1984. During this time period median household income did not rise as much—see Table D. As a consequence, the ratio of transaction prices to income rose from 35% to 43%, and the ratio of amount financed to income rose from 28% to 36%. But because the average maturity of vehicle loans has also increased, the payment amount as a proportion of income has not shown any significant increase. From 1972 to 1984, the repayment ratio has remained between 11 and 12%, with only small variations.

Buying Attitudes Set New Peak Levels:
Discounts Become The Norm

Favorable attitudes toward buying conditions reached new all time record levels during 1985 for each of the major types of discretionary purchases studied: purchases of homes, vehicles, and large household durables. It was in the Spring of 1983 that buying attitudes first reached record favorable levels. Following small declines in the balance of 1983, attitudes toward buying conditions rebounded to peak levels by the spring of 1984. Small declines were again recorded in the second half of 1984, only to once more rebound to peak levels in 1985. The major reason for this pattern of surges followed by declines has been changes in the availability of discounted prices and reduced interest rates.

These trends indicate important shifts in how consumers evaluate market conditions. The cyclical peaks recorded in the 1970s were driven by an inflationary

psychology, which created incentives to purchase in advance of the then escalating inflation rates. At the present time, very few consumers cite the advantage of buying in advance of rising prices. In contrast, the current recovery has been built on the widespread appeal of price discounts. It is now the positive appeal of discounted prices, not the negative pressures to act before further increases, that determines consumer reactions to prices. Rather than inflation, higher and more variable interest rates now represent the primary source of uncertainty about future buying conditions. Consumers have thus come to view interest rate trends as the most important factor in the timing of their purchases.

As a result of these changes in consumer attitudes, the availability of price and interest rate discounts has become the expected norm. And the presence or absence of these incentives will shape future trends in buying attitudes.

Household Durables. In the third quarter 1985 survey, 72 percent of all families held favorable attitudes toward buying conditions for large household durables. This is just below the all time peak of 74 percent recorded in each of the two previous quarters, as shown in Chart 18. The maintenance of buying attitudes at these very favorable levels has been due to favorable perceptions of current prices for durables. Among all families in the third quarter 1985 survey, 38 percent mentioned the availability of price discounts on household durables, just below the all time record of 41 percent recorded at the start of 1985. Just 12 percent of all families complained about high prices in the third quarter 1985 survey. On balance, these trends represent the most favorable perceptions of market prices for large household durables since the 1960s, as shown in Chart 20.

Homes. In the third quarter 1985 survey, the proportion of families that held favorable attitudes toward buying conditions for homes set a new all time record, rising to 71 percent, reversing the small decline recorded in the second half of 1984, as shown in Chart 21. In the Chart below, the correspondence of home buying attitudes and unit sales of new and existing single family homes is shown.

The reasons underlying these very favorable home buying attitudes are quite different from those of the past. Whereas in the late 1970s, consumers evaluated buying conditions in terms of expected future prices, consumers now hold favorable perceptions of home prices. At the 1977 peak, 46 percent supported their favorable views by referring to the advantages of buying-in-advance of rising home prices. In the most recent survey, just 6 percent gave buy-in-advance price rationales. At the 1977 peak, four times as many families complained about high home prices as mentioned the availability of reduced home prices (22 versus 4 percent). At the 1985 peak, in contrast, twice as many families mentioned the availability of reduced home prices as complained that prices were too high and cause for postponement (24 versus 12 percent). Throughout the past two years, favorable references to current home prices have outnumbered unfavorable references, a trend not seen since the 1960s, as shown in Chart 24.

In addition to shifting price perceptions, the current recovery in attitudes is distinctive in its reliance on interest rate trends. In the third quarter 1985 survey, 57 percent of all families cited trends in mortgage interest rates in support of their favorable assessments. At the 1977 peak, in comparison, just 12 percent of all families favorably mentioned interest rates when asked to explain their views—see Table F. During the past year, the reasons underlying these favorable references to mortgage interest rates have shifted from the appeal of borrowing-in-advance of expected increases to the current availability of lower rates. In the third quarter 1985 survey, 52 percent of all families mentioned the current availability of reduced mortgage interest rates, up from 22 percent one year earlier. References to the advantages of borrowing-in-advance of future increases in mortgage rates fell to 5 percent in the third quarter of 1985 from a peak of 20 percent one year earlier.

Vehicles. In the third quarter 1985 survey, favorable attitudes toward buying conditions for cars were unchanged at the all time record level first established in the second quarter. Among all families, 67 percent held favorable vehicle buying attitudes in

the third quarter of 1985, which completely offset the small decline recorded in late 1984. The recent improvement was due to the increased availability of reduced interest rates on vehicle loans, mentioned by 38 percent in the third quarter of 1985, three times its year earlier level—see Table F.

Chart 26 shows the correspondence between buying attitudes and unit sales of vehicles. Vehicle sales were defined to include all both domestic and imported car sales, as well as domestic and imported small truck sales. Small trucks were defined as vehicles with a gross weight of 10,000 pounds or less. This broader definition was selected because consumers have increasingly purchased trucks, in addition to cars, to meet their personal transportation needs during the past decade.[1] As a result of the emphasis on fuel economy, the average size of new cars has declined since the 1970s. The desire for more room, especially more room for household errands and chores, led consumers toward minivans as the stationwagons of the 1980s. While 1984 was a good year for car sales, it was even better for sales of small trucks, which reached an all time peak. From 1983 to 1984, unit sales of cars rose 13%, while unit sales of small trucks increases by 31%. Overall, new car sales at annual rates in the third quarter of 1985 amounted to 12.5 million units, while sales of small trucks added another 4.7 million, for a total of 17.2 million units at annual rates. This record setting response to the recent seven percent financing offered by vehicle manufactures underscores the importance consumers now place on interest rates in purchase timing decisions.

Summary Outlook

How to summarize these various findings? Recent trends in consumer attitudes and expectations have exhibited many of the characteristics of the later stages of expansion. The overall level of consumer confidence remains high, with partially offsetting changes

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[1]Recent studies have indicated that over 90% of all the small trucks sold in 1984 were bought by consumers for personal use. In contrast, of the 10.4 million cars sold, direct consumer purchases accounted for about two-thirds of the total (MVMA).

limiting the amount of the overall decline. Lower interest rates and favorable perceptions of market prices have maintained buying attitudes at record favorable levels. Although consumers expect slow economic growth during the year ahead, they expect it to be accompanied by low rates of inflation, and lead to only small increases in the unemployment rate. This outlook for slow but sustained growth, given the economic turbulence of past years, has supported the view among consumers that good times financially will continue in the country as a whole.

Since the upward momentum in consumer sentiment has now been exhausted, these results point toward diminished but still favorable prospects for consumer demand in 1986. The strongest aspects of consumer sentiment—personal finances and buying attitudes—have resulted from low inflation and widespread discounting. The weakest aspects involve lowered prospects for income and employment. The pace of real income growth during the year ahead will thus play a pivotal role. Increases in consumer spending are not likely to outpace growth in incomes, indicating a rising saving rate. But the decline in sales rates, while small on an annual basis, is not likely to follow an even pace of decline. The response of consumers to the recent interest rate reductions has demonstrated not only their willingness to spend, but also their resolve to wait for discounts on prices and interest rates. Gone are the days when consumers felt pressured to act by ever-escalating prices. Today, consumers are more willing to engage in comparative price shopping and expect to be enticed by discounts on prices as well as interest rates. Rather than the consumer scrambling to keep up with price increases, now sellers must scramble to keep up with the more demanding consumer.

CHART 1 - HISTORICAL SERIES
THE INDEX OF CONSUMER SENTIMENT

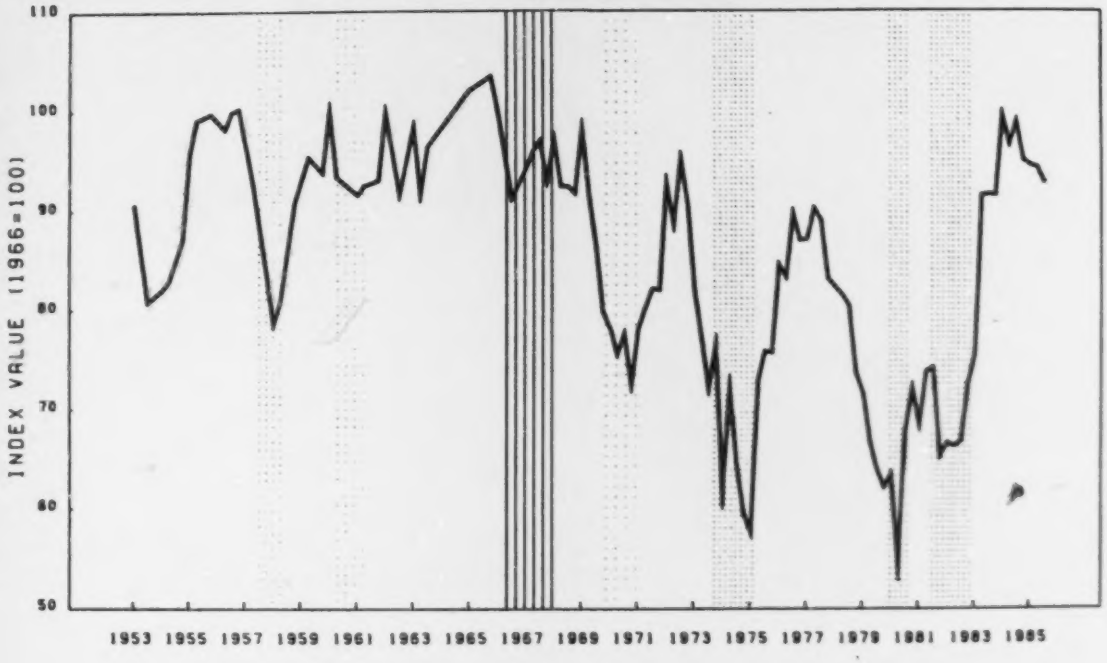


CHART 2 - HISTORICAL SERIES
CURRENT AND EXPECTED COMPONENTS

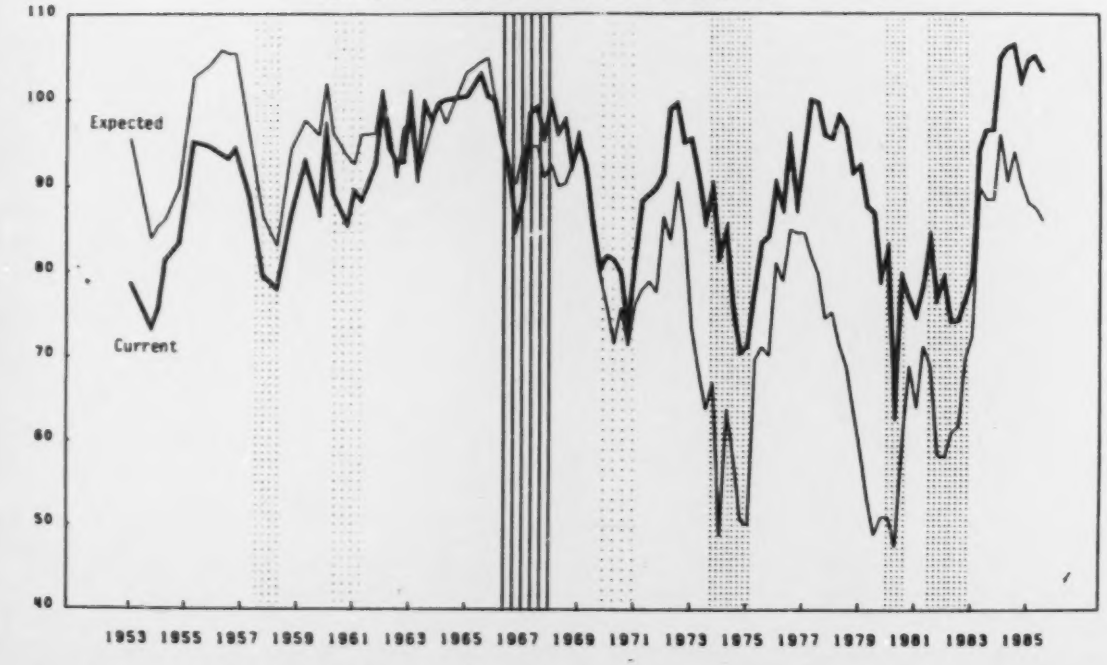
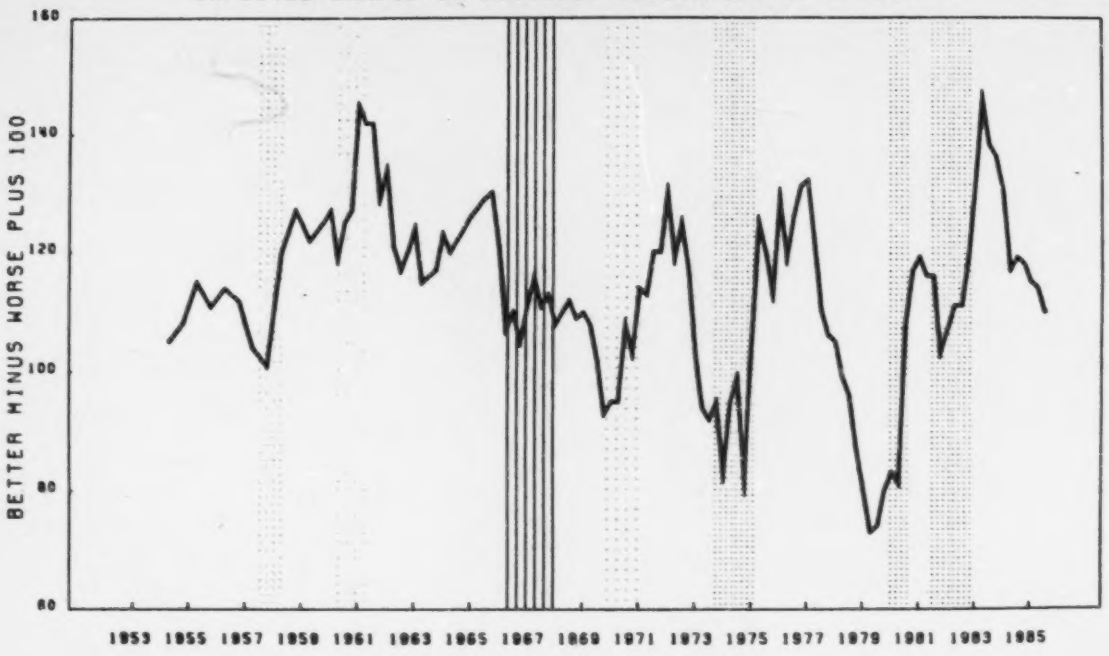


CHART 3 - HISTORICAL SERIES

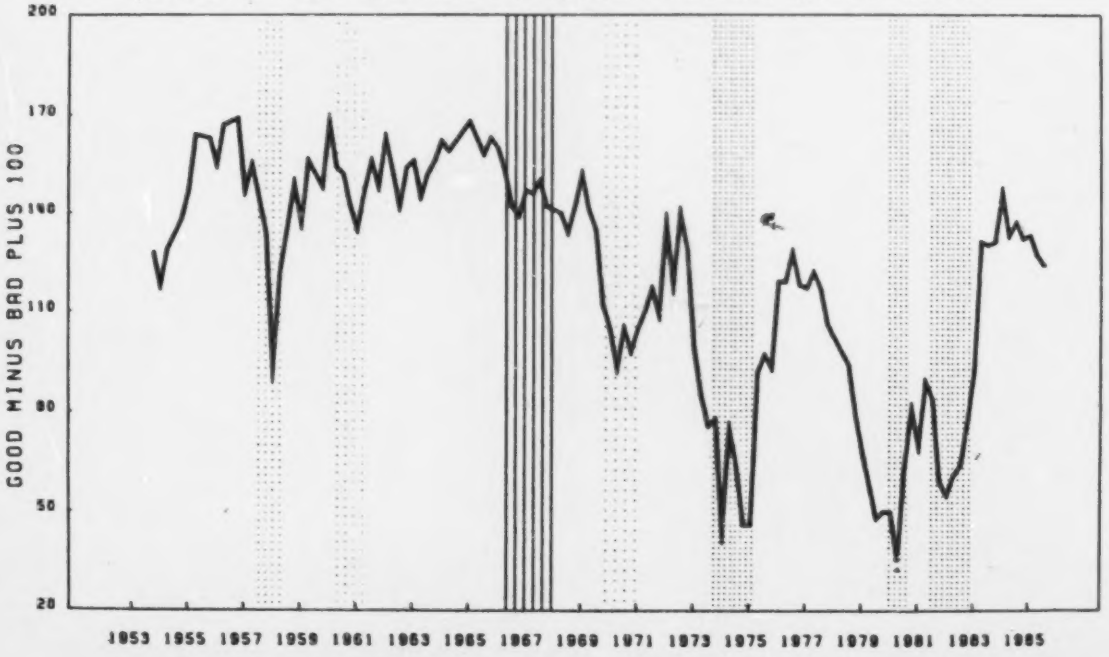
EXPECTED CHANGE IN BUSINESS CONDITIONS IN A YEAR



The question was: "And how about a year from now, do you expect that in the country as a whole business conditions will be better, or worse than they are at present, or just about the same?"

CHART 4 - HISTORICAL SERIES

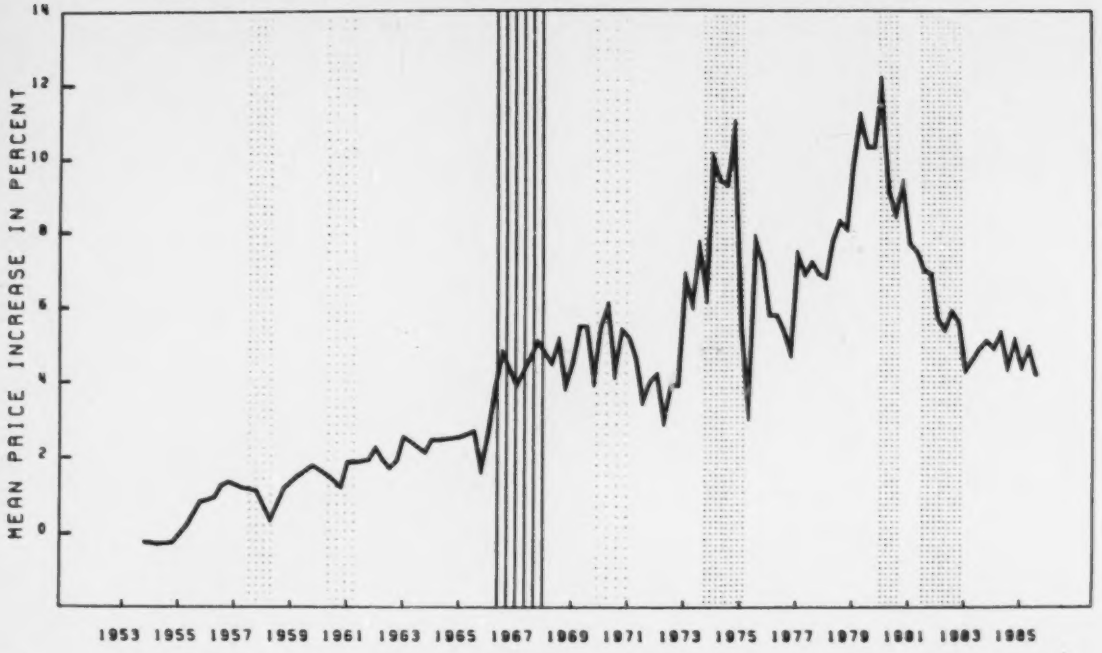
BUSINESS CONDITIONS EXPECTED DURING THE NEXT TWELVE MONTHS



The question was: "Now turning to business conditions in the country as a whole-- do you think that during the next 12 months we'll have good times financially, or bad times or what?"

CHART 5 - HISTORICAL SERIES

MEAN EXPECTED PRICE INCREASE OVER THE NEXT 12 MONTHS



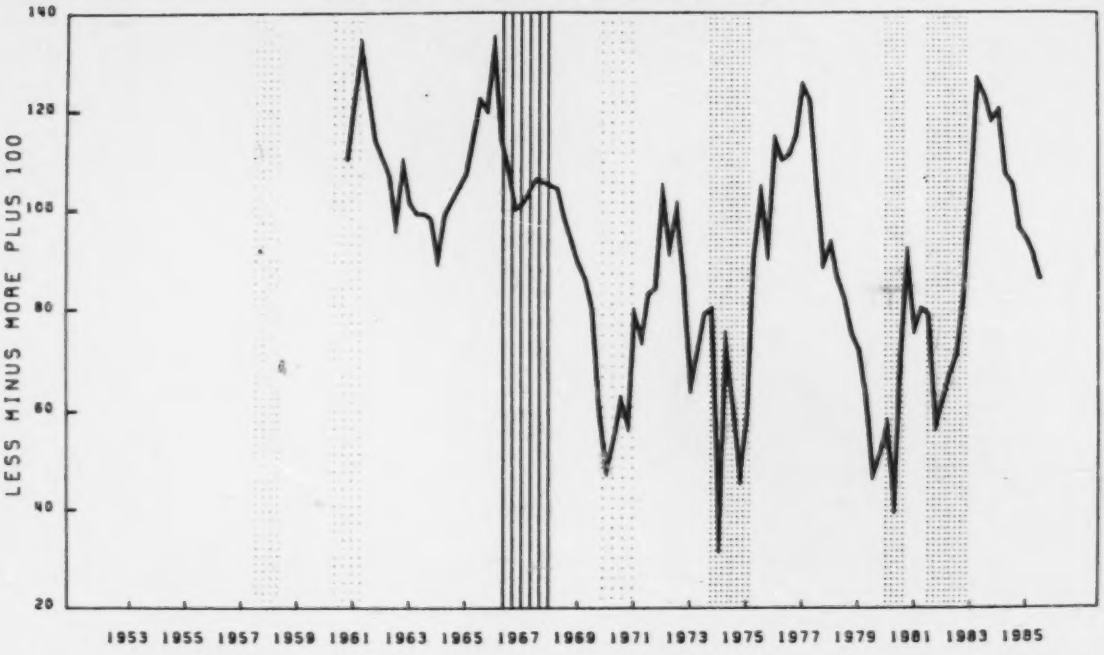
The questions were: "During the next 12 months, do you think that prices in general will go up, or go down, or stay where they are now?" and "By about what percent do you expect prices to go up, on the average, during the next 12 months?"

CHART 6

MEAN EXPECTED PRICE INCREASE OVER THE NEXT 12 MONTHS
AND INCREASE IN CPI, ALL URBAN CONSUMERS ALL ITEMS (SAAR)

CHART 7 -HISTORICAL SERIES

EXPECTED CHANGE IN UNEMPLOYMENT



The question was: "How about people out of work during the coming 12 months--do you think that there will be more unemployment than now, about the same, or less?"

CHART 8

UNEMPLOYMENT EXPECTATIONS AND THE PERCENTAGE POINT CHANGE IN THE UNEMPLOYMENT RATE

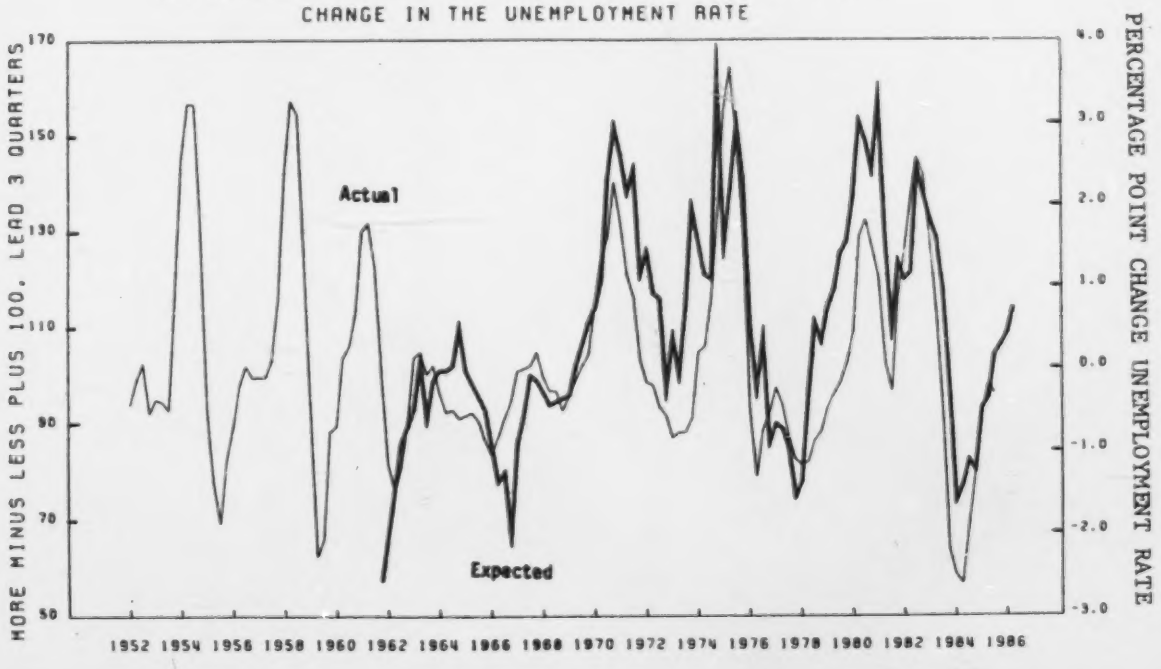
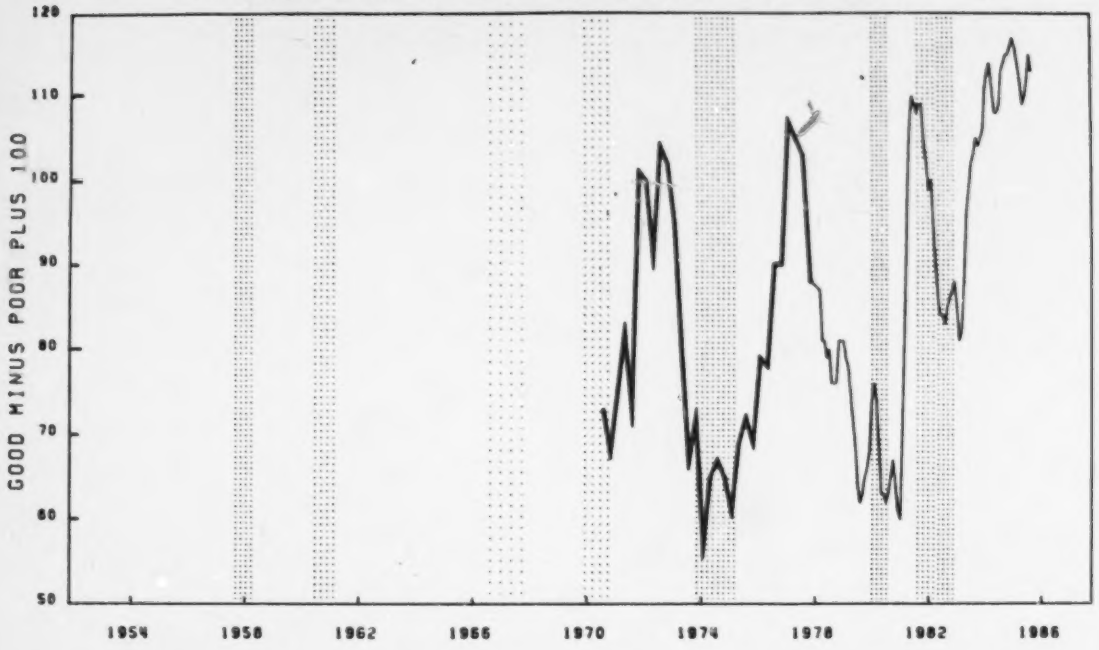


CHART 9 - HISTORICAL SERIES

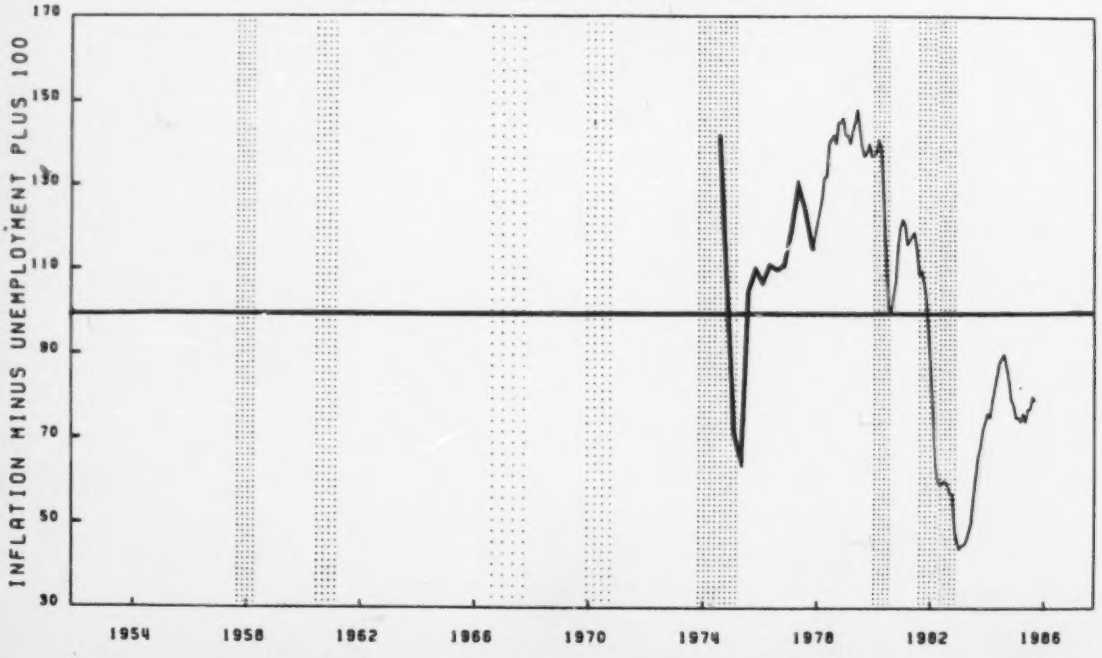
OPINIONS ABOUT THE GOVERNMENT'S ECONOMIC POLICY



The question was: "As to the economic policy of the government--I mean steps taken to fight inflation or unemployment--would you say the government is doing a good job, only fair, or a poor job?"

CHART 10 - HISTORICAL SERIES

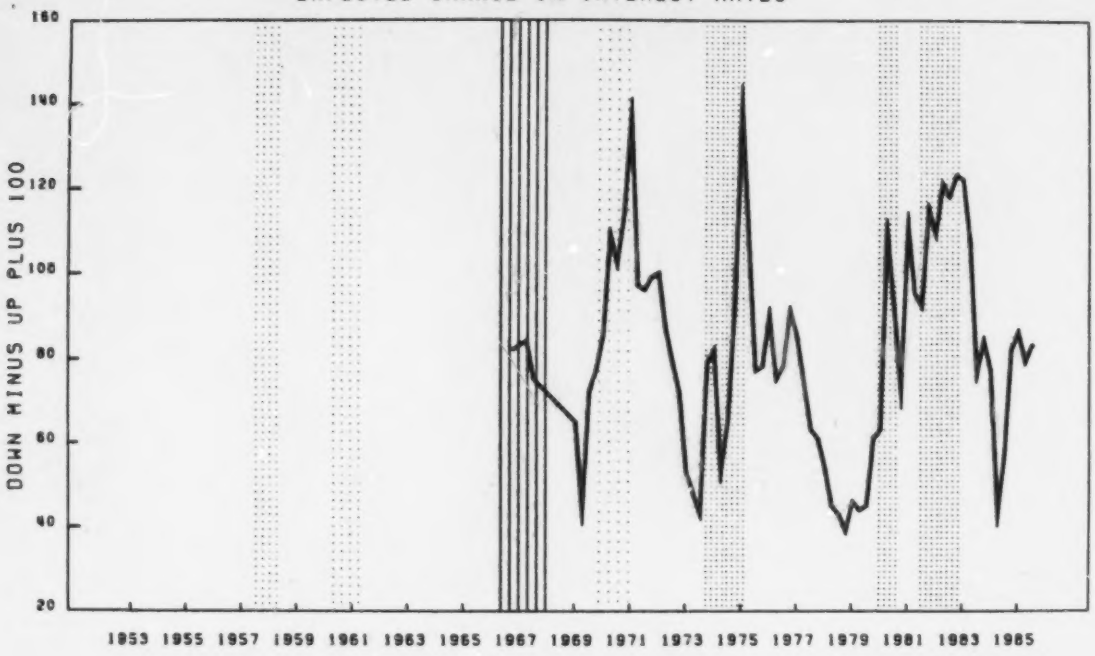
UNEMPLOYMENT OR INFLATION MORE SERIOUS



The question was: "Which of the two problems--unemployment or inflation--do you think will cause the more serious economic hardship for people during the next year or so?"

CHART 11 - HISTORICAL SERIES

EXPECTED CHANGE IN INTEREST RATES



The question was: "No one can say for sure, but what do you think will happen to interest rates for borrowing money during the next 12 months--will they go up, stay the same, or go down?"

CHART 12

INTEREST RATE EXPECTATIONS AND THE

PERCENTAGE POINT CHANGE IN THE PRIME RATE

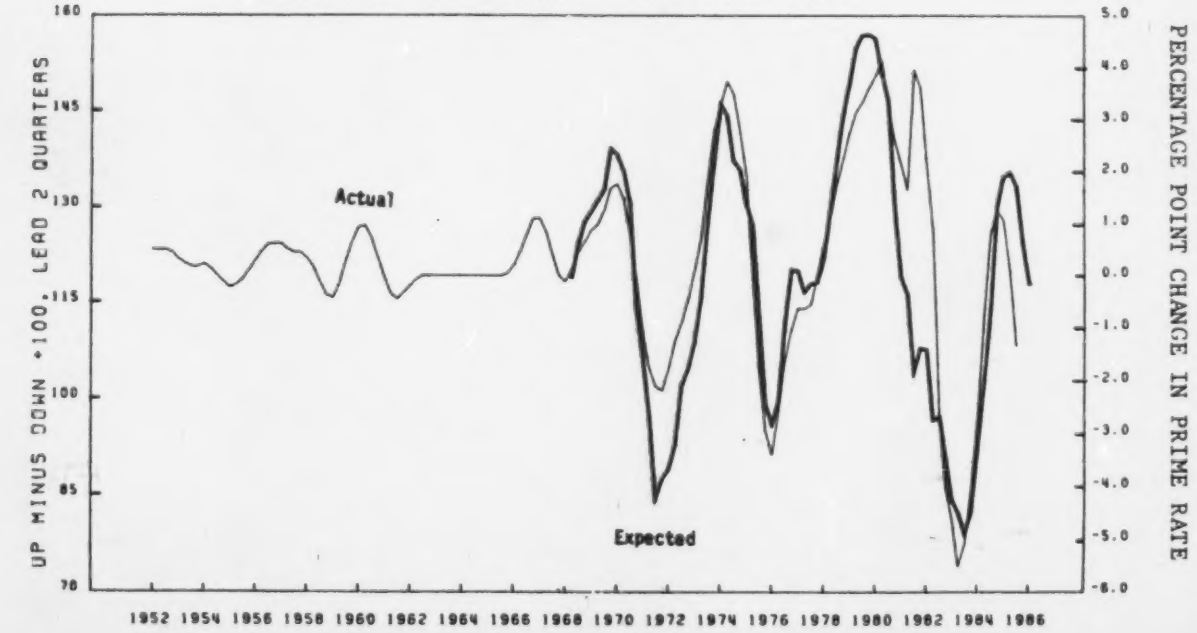
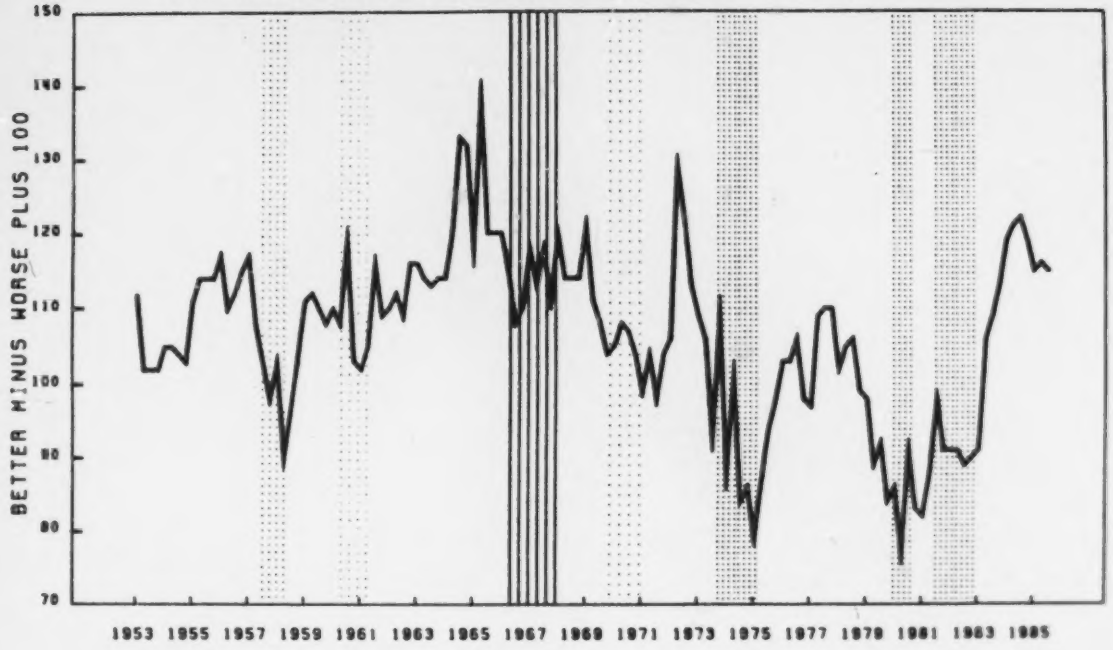


CHART 13 - HISTORICAL SERIES

CURRENT FINANCIAL SITUATION COMPARED WITH A YEAR AGO



The question was: "We are interested in how people are getting along financially these days. Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?" and "Why do you say so?"

CHART 14 - HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT PERSONAL FINANCIAL SITUATION

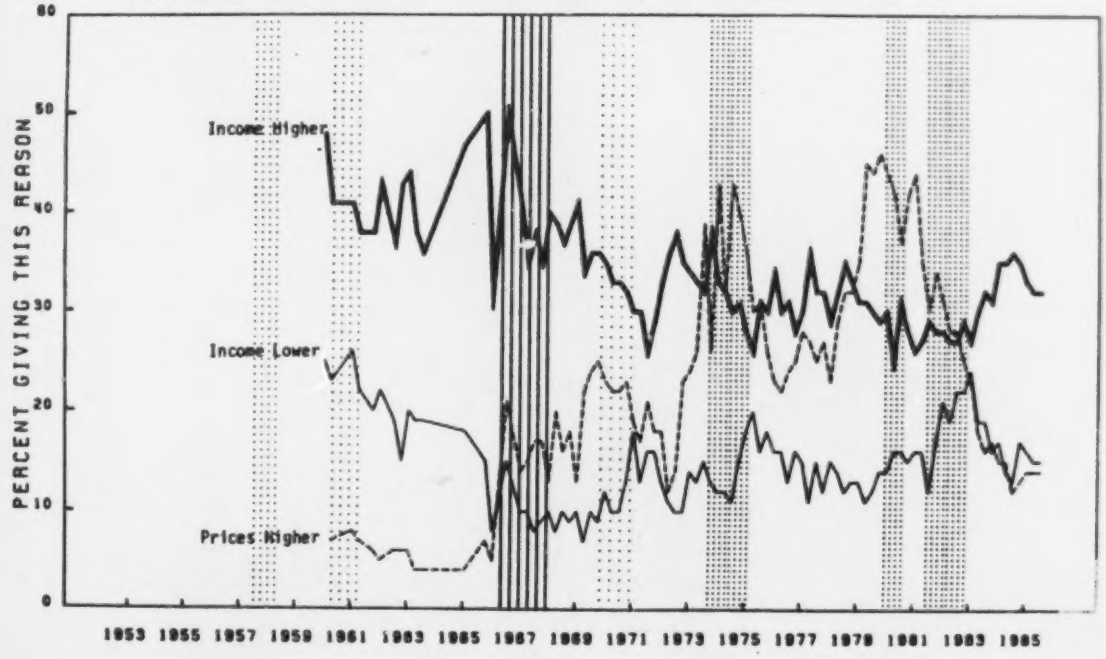
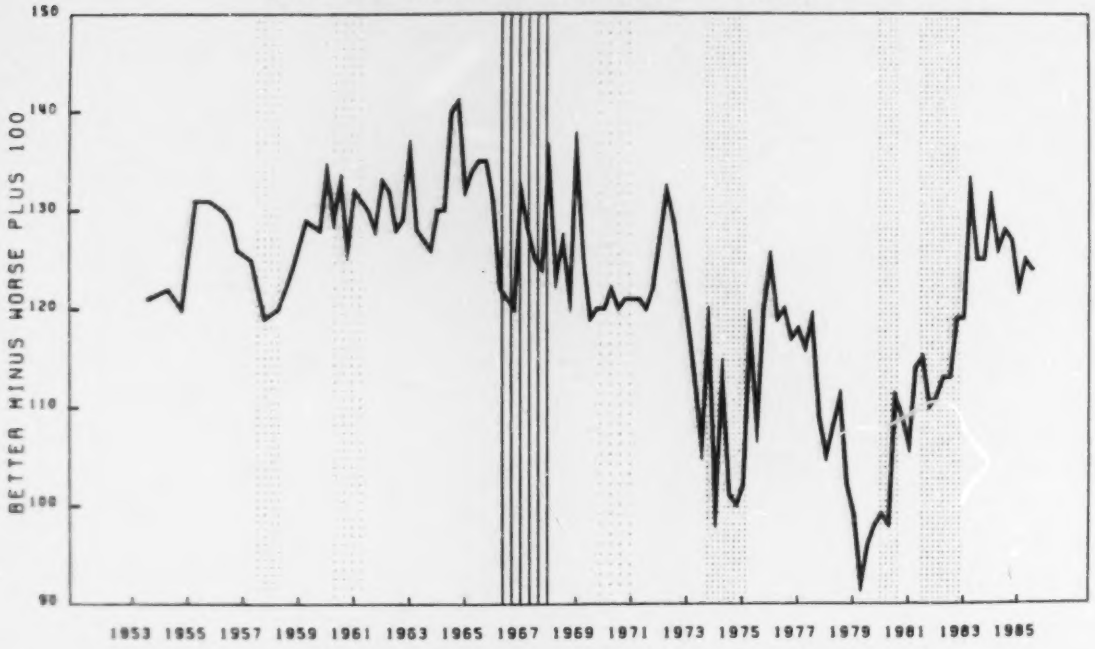


CHART 15 - HISTORICAL SERIES

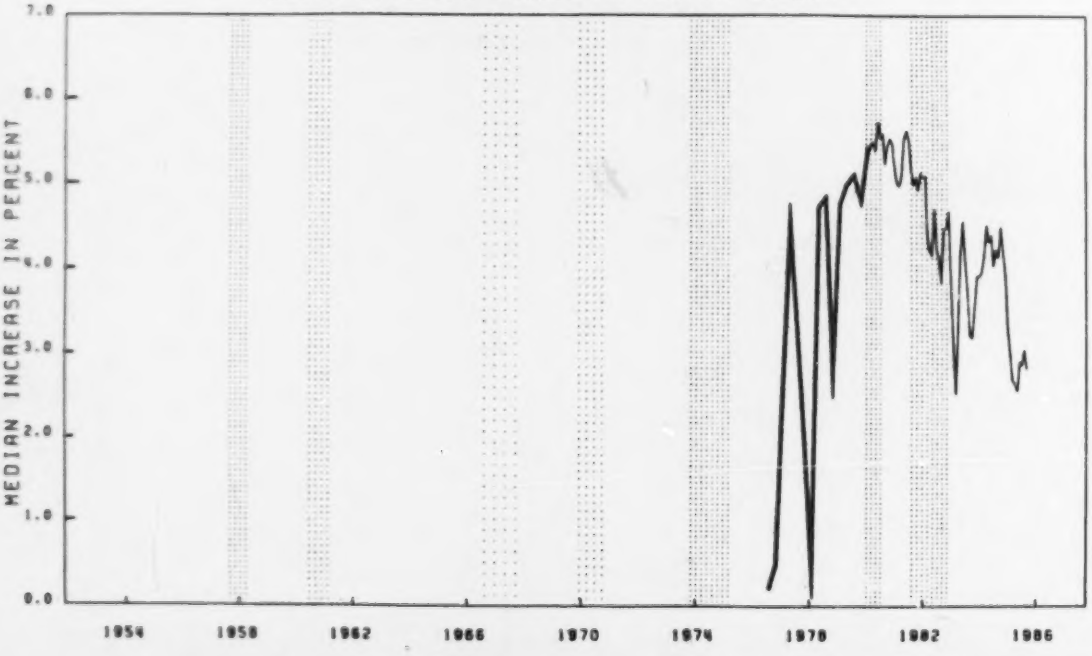
EXPECTED CHANGE IN FINANCIAL SITUATION



The question was: "Now looking ahead--do you think that a year from now you (and your family living there) will be better off financially, or worse off, or just about the same as now?"

CHART 16 - HISTORICAL SERIES

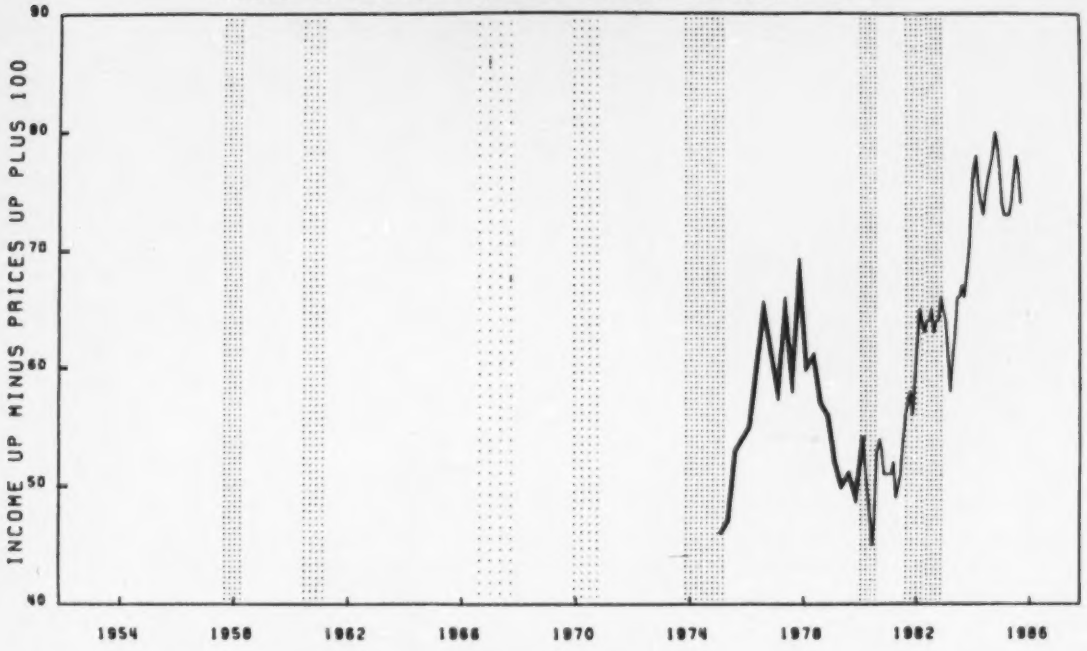
MEDIAN EXPECTED CHANGE IN FAMILY INCOME



The questions were: "During the next 12 months, do you expect your (family income to be higher or lower than during the past year?" and "By about what percent do you expect your (family) income to increase during the next 12 months?"

CHART 17 - HISTORICAL SERIES

INCOME OR PRICES UP MORE DURING THE LAST YEAR



The question was: "How about the next year or two--do you expect that your (family) income will go up more than prices will go up, about the same, or less than prices will go up?"

TABLE A

OPINIONS ABOUT WHETHER NOW IS A GOOD TIME TO USE SAVINGS FOR MAJOR PURCHASES

(Percentage distribution of families with savings)

	Use of Savings...				
Survey Date	OK; not reluctant	Pro-con	Not OK; reluctant	Don't know; NA	Total
Jul-Sep 1980	30%	1%	60%	9%	100%
Jul-Sep 1981	29	1	68	2	100
Jul-Sep 1982	25	1	72	2	100
Jul-Sep 1983	36	*	62	2	100
Jul-Sep 1984	40	1	58	1	100
Jul-Sep 1985	36	*	62	2	100

* Less than 0.5 percent.

The question was: "If there were a major purchase that you wanted to make, do you think now is a time when it would be O.K. to use some of your savings or is now a time when you would be especially reluctant to use some of your savings?"

TABLE B

OPINIONS ABOUT WHETHER NOW IS A GOOD TIME TO USE CREDIT FOR MAJOR PURCHASES

Survey Date	Use of Credit... OK; not reluctant	Pro-con	Not OK; reluctant	Don't know; NA	Total
Jul-Sep 1980	15	1	83	1	100
Jul-Sep 1981	13	1	83	3	100
Jul-Sep 1982	12	1	85	2	100
Jul-Sep 1983	27	1	71	1	100
Jul-Sep 1984	27	*	72	1	100
Jul-Sep 1985	29	*	70	1	100

*Less than 0.5 percent.

The question was: "If there were something that you wanted to buy, do you think that now is a time when it would be O.K. for you to buy it on credit, or is now a time when you would be especially reluctant to take on new debt?"

TABLE C

NET INCREASES IN HOUSEHOLD DEBT AS A PROPORTION OF PERSONAL DISPOSABLE INCOME

Year	Net Increase in Selected Household Debts As a Proportion of Disposable Income[a] Home Mortgage	Installment and Other Consumer Credit	All Types of Debts
1975	3.7%	0.9%	5.0%
1976	5.1	2.1	8.1
1977	6.8	3.0	10.8
1978	7.5	3.3	11.8
1979	7.3	2.7	11.0
1980	5.1	0.3	6.9
1981	3.6	1.1	5.8
1982	2.2	0.9	4.4
1983	4.6	2.5	8.4
1984	5.2	3.7	9.4
1985:1	5.1	4.4	9.8
1985:2	5.0	4.5	10.8

[a]Personal Disposable Income was adjusted to be consistent with FRB flow-of-funds data, by the addition of government insurance credits and capital gains dividents to NIA personal disposable income.

Source: Federal Reserve Board, Flow of Funds Accounts.

TABLE D

NEW CAR PRICES, CREDIT TERMS, AND FAMILY INCOME

Date	Average Price	Amount Financed	Ratio of Amount Financed to Price	Interest Rates at Finance Companies	Average Months to Maturity	Average Monthly Loan Payment	Average Median Family Income	Ratio of Price to Income	Ratio of Amount Financed to Income	Ratio of Payment Amount to Income
1972	$3,879	$3,104	80.0%	11.9%	35.0	$105	$11,126	34.9%	27.9%	11.3%
1973	4,051	3,299	81.4	12.1	35.2	112	12,051	33.6	27.4	11.2
1974	4,329	3,615	81.4	12.6	35.7	122	12,902	34.4	28.0	11.4
1975	4,948	4,095	82.8	13.1	37.6	133	13,719	36.1	29.9	11.6
1976	5,414	4,499	83.1	13.2	38.8	143	14,958	36.2	30.1	11.5
1977	5,811	4,989	85.9	13.1	40.7	153	16,009	36.3	31.2	11.5
1978	6,382	5,598	87.7	13.1	42.9	164	17,640	36.2	31.7	11.2
1979	6,861	6,037	88.0	13.5	44.2	174	19,661	34.9	30.7	10.6
1980	7,591	6,322	83.3	14.8	45.0	184	21,023	36.1	30.1	10.5
1981	8,922	7,339	82.3	15.9	45.3	216	22,388	39.9	32.8	11.6
1982	9,824	8,178	83.3	15.8	46.0	240	23,433	41.9	34.9	12.3
1983	10,586	8,787	83.0	12.6	45.9	242	24,580	43.1	35.7	11.8
1984	11,297	9,337	82.7	14.6	48.3	257	26,104	43.3	35.8	11.8
1985:1	11,318	9,232	81.6	13.5	50.0	243	26,416	42.8	35.0	11.0
1985:2	11,329	9,681	85.5	11.9	51.2	242	27,352	41.6	34.9	10.5
1985:3	11,470	10,389	90.6	11.7	51.4	258	NA	NA	NA	NA

Source: MVMA, FRB.

TABLE E

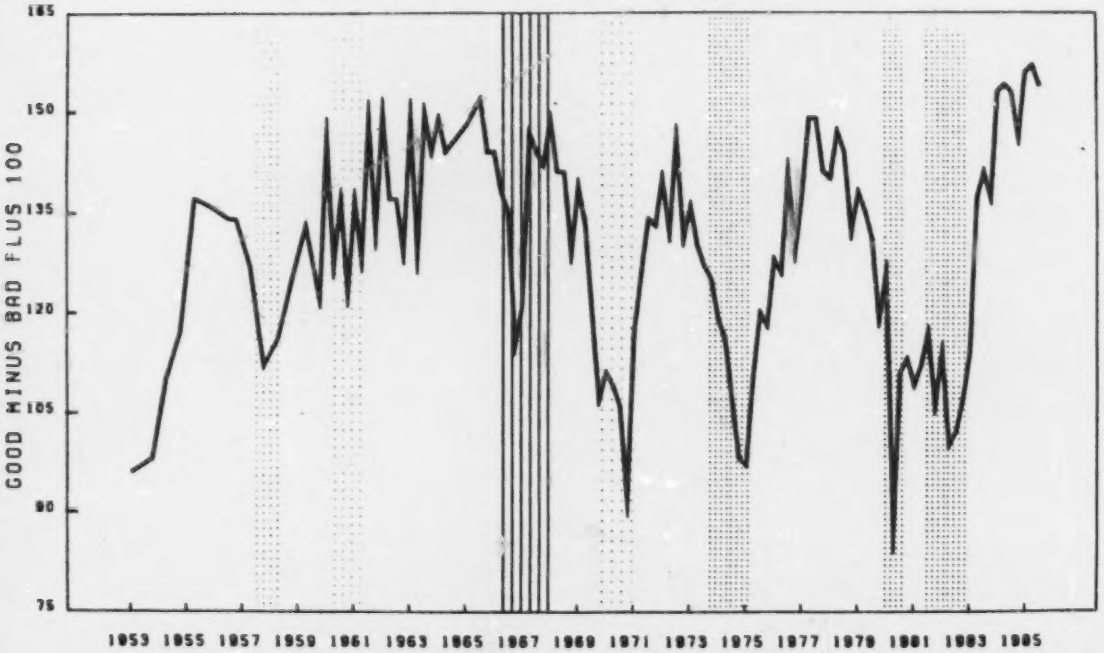
OUTSTANDING AMOUNT OF FINANCIAL ASSETS PER DOLLAR IN LIABILITIES

Year	Total Savings Deposits Per $ of Mortgage and Consumer Debt	Total Deposits, Bonds and Equities Per $ of Mortgage and Consumer Debt	Total Financial Assets Per $ of Total Financial Liabilities
1975	$1.33	$2.75	$3.17
1976	1.34	2.78	3.20
1977	1.29	2.51	2.93
1978	1.24	2.34	2.78
1979	1.18	2.32	2.76
1980	1.23	2.54	2.99
1981	1.29	2.50	2.95
1982	1.34	2.62	3.11
1983	1.32	2.63	3.12
1984	1.31	2.54	3.04

Source: Federal Reserve Board.

CHART 18 - HISTORICAL SERIES

BUYING CONDITIONS FOR LARGE HOUSEHOLD GOODS



The question was: "About the big things people buy for their homes--such as furniture, a refrigerator, stove, television, and things like that. Generally speaking, do you think now is a good or a bad time for people to buy major household items?" and "Why do you say so?"

CHART 19 - HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR DURABLES

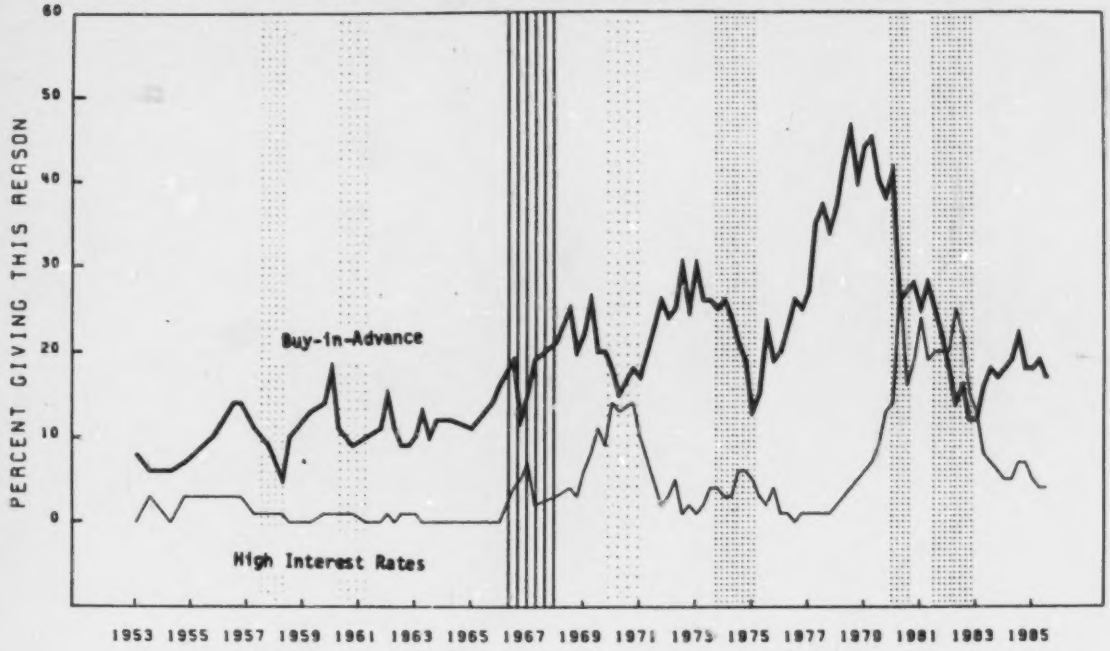


CHART 20 - HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR DURABLES

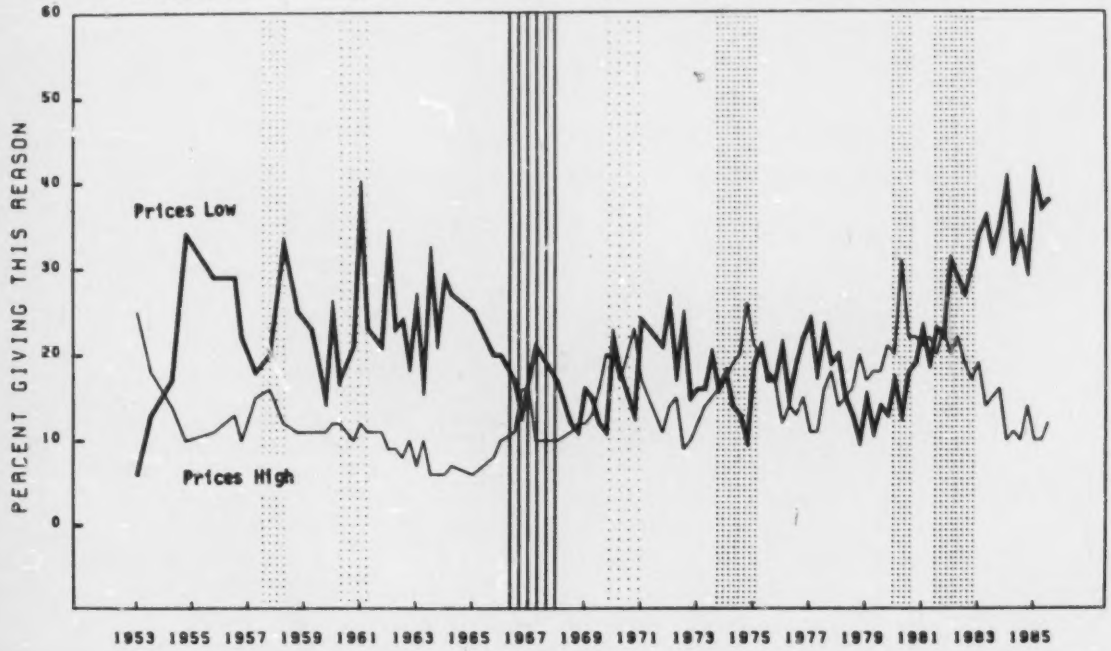
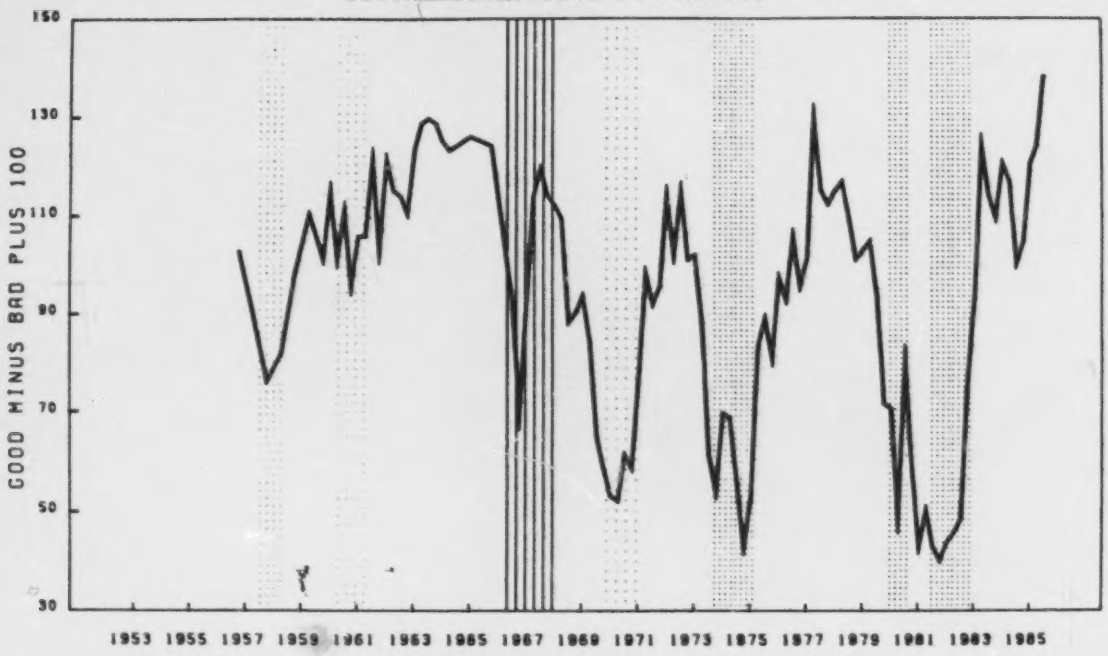


CHART 21 - HISTORICAL SERIES

BUYING CONDITIONS FOR HOUSES



The question was: "Generally speaking, do you think now is a good time or a bad time to buy a house?" and "Why do you say so?"

CHART 22

ATTITUDES TOWARD BUYING CONDITIONS FOR HOMES

AND TOTAL NEW AND EXISTING HOME SALES

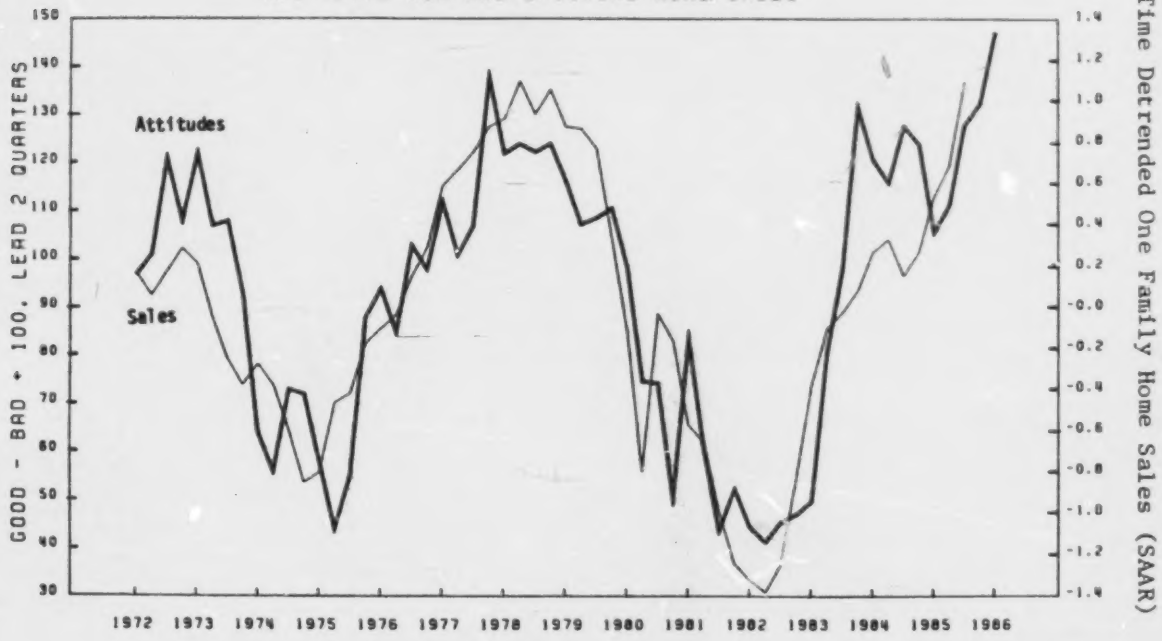


CHART 23 - HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR HOUSES

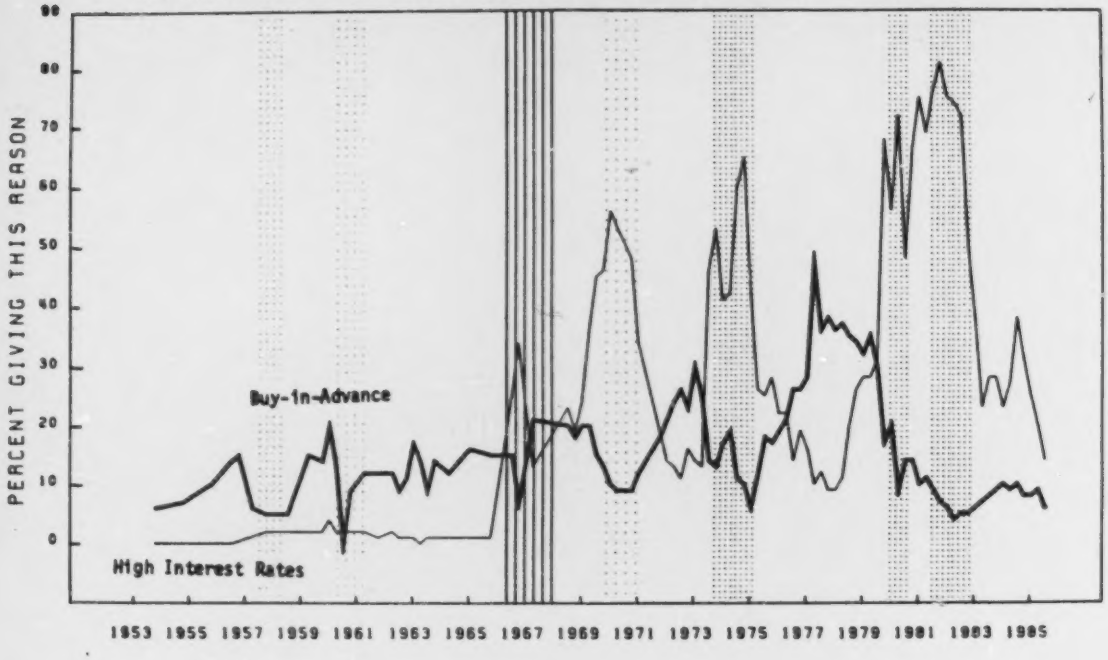


CHART 24 - HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR HOUSES

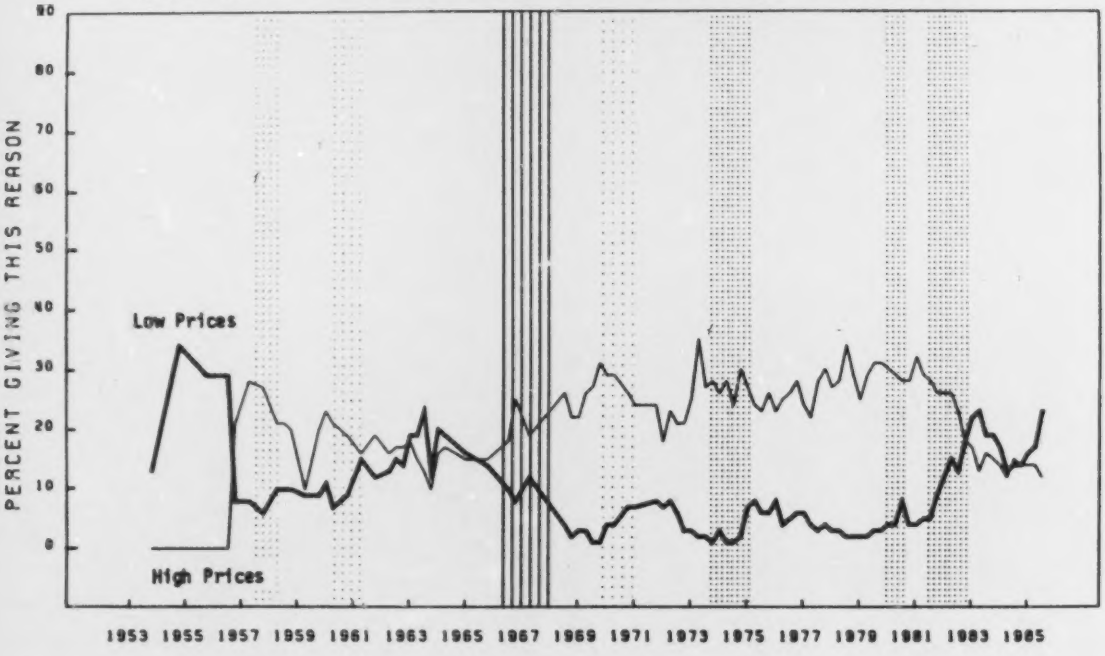
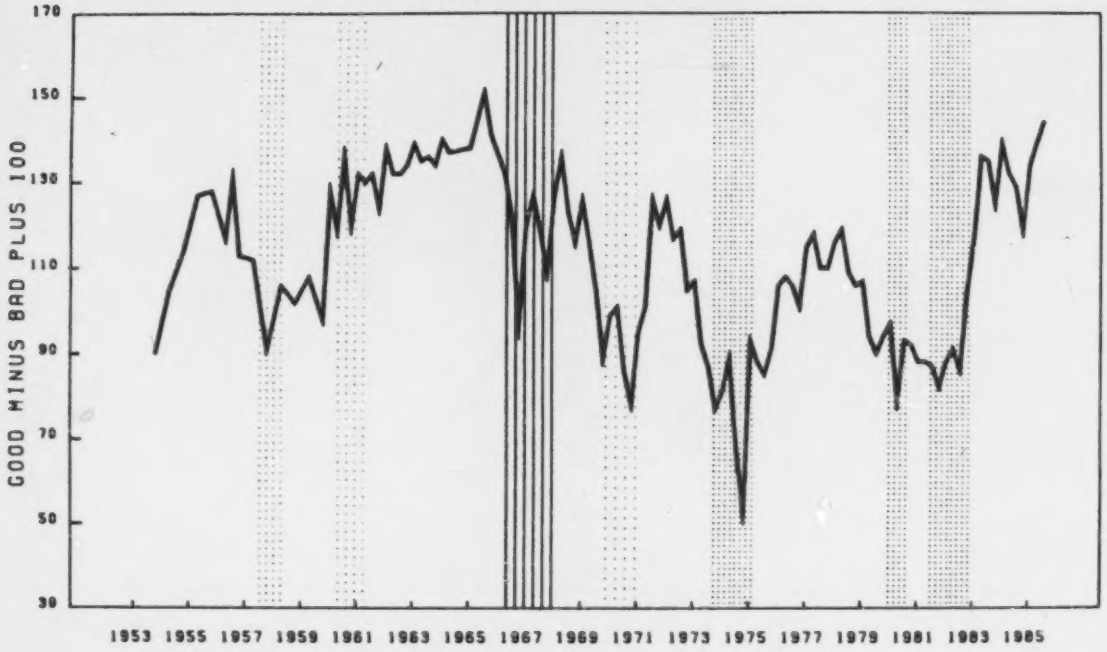


CHART 25 - HISTORICAL SERIES

BUYING CONDITIONS FOR CARS



The question was: "Speaking now of the automobile market--do you think the next 12 months or so will be a good time or a bad time to buy a car?" and "Why do you say so?"

CHART 26

ATTITUDES TOWARD BUYING CONDITIONS FOR VEHICLES

AND TOTAL UNIT VEHICLE SALES

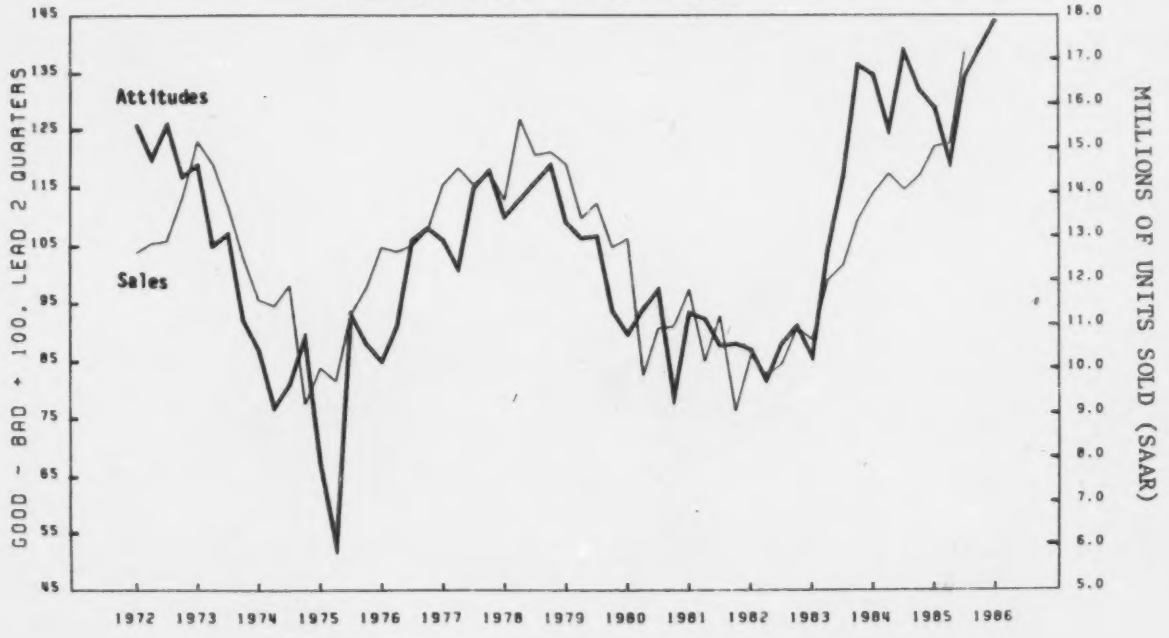


CHART 27 - HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR CARS

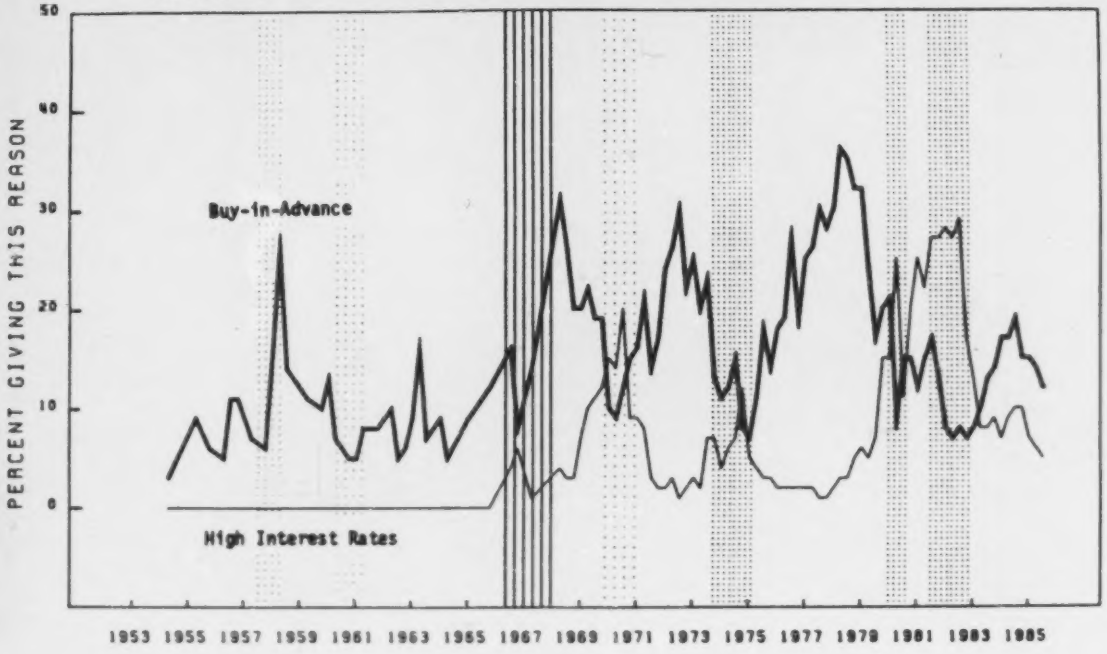


CHART 28 -HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR CARS

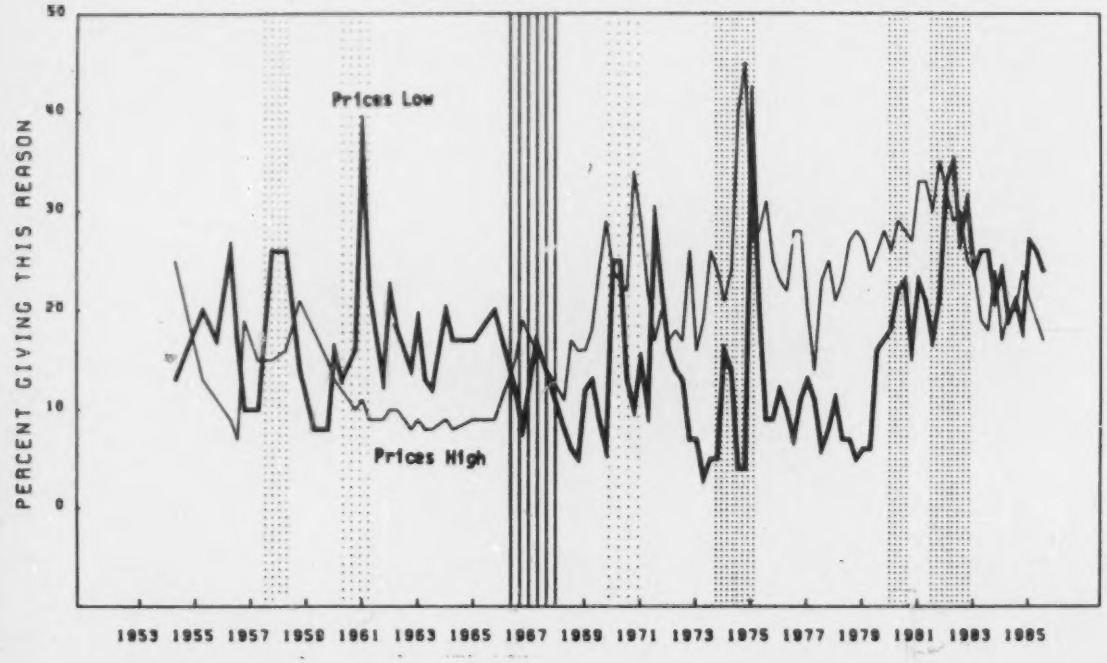


TABLE F

REFERENCES TO INTEREST RATES IN SUPPORT OF FAVORABLE BUYING CONDITIONS

Survey Date		Durables		Houses		Vehicles	
		Low Rates	BiA Rates	Low Rates	BiA Rates	Low Rates	BiA Rates
Jan-Mar	1977	1%	1%	8%	4%	1%	1%
Apr-Jun	1977	1	1	7	5	*	1
Jul-Sep	1977	1	*	5	8	1	2
Oct-Dec	1977	1	*	4	6	1	1
Jan-Mar	1978	*	1	2	5	*	1
Apr-Jun	1978	1	1	3	7	1	*
Jul-Sep	1978	1	2	1	8	*	1
Oct-Dec	1978	*	1	1	8	*	1
Jan-Mar	1979	*	1	2	9	2	1
Apr-Jun	1979	1	1	2	10	1	1
Jul-Sep	1979	*	1	1	9	*	1
Oct-Dec	1979	1	2	1	7	1	1
Jan-Mar	1980	1	3	2	7	1	2
Apr-Jun	1980	1	2	6	3	2	1
Jul-Sep	1980	3	2	16	9	2	1
Oct-Dec	1980	1	2	3	8	1	2
Jan-Mar	1981	1	1	1	4	2	1
Apr-Jun	1981	*	2	3	4	2	1
Jul-Sep	1981	1	1	3	4	3	1
Oct-Dec	1981	1	1	2	2	4	*
Jan-Mar	1982	1	1	4	3	3	1
Apr-Jun	1982	1	1	4	2	8	1
Jul-Sep	1982	2	1	7	3	6	1
Oct-Dec	1982	5	1	25	5	18	1
Jan-Mar	1983	7	1	35	5	31	1
Apr-Jun	1983	12	2	48	9	38	2
Jul-Sep	1983	11	2	36	11	30	3
Oct-Dec	1983	6	1	29	10	18	2
Jan-Mar	1984	8	2	36	11	19	3
Apr-Jun	1984	7	5	25	20	14	6
Jul-Sep	1984	6	3	22	14	13	6
Oct-Dec	1984	8	3	30	9	12	3
Jan-Mar	1985	9	2	41	8	22	2
Apr-Jun	1985	10	2	40	9	26	3
Jul-Sep	1985	14	1	52	5	38	1

* Less than 0.5 percent.

NOTE: The table entries give the proportions of respondents that referred to the current availability of low interest rates (Low Rates), and those that referred to borrowing-in-advance of rising interest rates (BiA Rates).